

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

### ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended  
Dec 31, 2015
2. SEC Identification Number  
11840
3. BIR Tax Identification No.  
000-100-341-000
4. Exact name of issuer as specified in its charter  
SAN MIGUEL PURE FOODS COMPANY INC.
5. Province, country or other jurisdiction of incorporation or organization  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
23/F The JMT Corporate Condominium , ADB Avenue, Ortigas Center, Pasig City, Metro Manila  
Postal Code  
1605
8. Issuer's telephone number, including area code  
(632) 317-5000
9. Former name or former address, and former fiscal year, if changed since last report  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON (PF)	166,667,096
PREFERRED (PFP2)	15,000,000

11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes          No  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
Philippine Stock Exchange Common and Preferred shares
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes                  No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes                  No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

P4,243,482,246 as of March 31, 2016

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes                  No

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



# San Miguel Pure Foods Company, Inc.

## PF

**PSE Disclosure Form 17-1 - Annual Report**  
**References: SRC Rule 17 and**  
**Sections 17.2 and 17.8 of the Revised Disclosure Rules**

<b>For the fiscal year ended</b>	Dec 31, 2015
<b>Currency (indicate units, if applicable)</b>	PHP (In Thousand)

### Balance Sheet

	<b>Year Ending</b>	<b>Previous Year Ending</b>
	Dec 31, 2015	Dec 31, 2014
<b>Current Assets</b>	40,032,115	48,192,192
<b>Total Assets</b>	61,037,547	66,654,955
<b>Current Liabilities</b>	21,150,463	29,781,550
<b>Total Liabilities</b>	22,021,111	30,692,132
<b>Retained Earnings/(Deficit)</b>	15,527,179	12,764,027
<b>Stockholders' Equity</b>	39,016,436	35,962,823
<b>Stockholders' Equity - Parent</b>	37,272,247	34,235,128
<b>Book Value per Share</b>	145.82	126.8

### Income Statement

	<b>Year Ending</b>	<b>Previous Year Ending</b>
	Dec 31, 2015	Dec 31, 2014
<b>Operating Revenue</b>	106,860,238	102,999,401
<b>Other Revenue</b>	278,692	136,483
<b>Gross Revenue</b>	107,138,930	103,135,884
<b>Operating Expense</b>	99,216,246	96,536,557
<b>Other Expense</b>	954,006	923,392
<b>Gross Expense</b>	100,170,252	97,459,949
<b>Net Income/(Loss) Before Tax</b>	6,968,678	5,675,935
<b>Income Tax Expense</b>	2,216,646	1,832,460
<b>Net Income/(Loss) After Tax</b>	4,752,032	3,843,475

Net Income/(Loss) Attributable to Parent Equity Holder	4,499,555	3,884,521
Earnings/(Loss) Per Share (Basic)	21.38	16.11
Earnings/(Loss) Per Share (Diluted)	-	-

#### Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2015	Dec 31, 2014
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.89	1.62
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.92	0.84
Solvency Ratio	Total Assets / Total Liabilities	2.77	2.17
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.36	0.46
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.56	0.85
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	18.55	14.19
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.56	1.85
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.21	0.2
Net Profit Margin	Net Profit / Sales	0.04	0.04
Return on Assets	Net Income / Total Assets	0.08	0.06
Return on Equity	Net Income / Total Stockholders' Equity	0.12	0.11
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	6.03	12.91

#### Other Relevant Information

Please see attached.

#### Filed on behalf by:

Name	Zenaida Postrado
Designation	VP & Chief Finance Officer

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

ALEXANDRA B. TRILLANA
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Contact Person

(632) 317-5450
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Company Telephone Number

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Month

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Day

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FORM TYPE

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Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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SEC Number 11840  
File Number

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**SAN MIGUEL PURE FOODS COMPANY INC. and  
SUBSIDIARIES**

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(Company's Full Name)

**23<sup>rd</sup> Floor, The JMT Corporate Condominium  
ADB Avenue, Ortigas Center, Pasig City**

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(Company's Address)

**317-5000**

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(Telephone Number)

**December 31**

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(month & day)

**SEC Form 17-A Annual Report**

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Form Type

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Amendment Designation (if applicable)

**December 31, 2015**

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Period Ended Date

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(Secondary License Type and File Number)

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended December 31, 2015
2. SEC Identification Number 11840      3. BIR Tax Identification No. 000-100-341-000
4. Exact name of issuer as specified in its charter

SAN MIGUEL PURE FOODS COMPANY INC.

5. Philippines      6. \_\_\_\_\_ SEC      Use      Only  
Province, country or other jurisdiction      Industry classification code  
of incorporation or organization

7. 23<sup>rd</sup> Floor The JMT Corporate Condominium  
ADB Avenue, Ortigas Center, Pasig City  
Address of principal office

1605  
Postal Code

8. (02) 317-5000  
Issuer's telephone number, including area code



9. N/A  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Stock Issued and Outstanding and Debt Outstanding (As of December 31, 2015)
Common - P10.00 par value	166,667,096
Preferred - P10.00 par value	<u>15,000,000</u>
	181,667,096
Total Liabilities (in '000)	P 22,021,111

11. Are any or all securities listed on the Philippine Stock Exchange?

Yes ( ☒ )      No ( ☐ )

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange**

**Common and Preferred (series 2) shares**

12. Check whether the issuer:

- a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or such shorter period that the registrant was required to file such reports):

Yes ( ✓ ) No ( )

- b) Has been subject to such filing requirements for the past 90 days:

Yes ( ✓ ) No ( )

13. Aggregate market value of the voting stocks held by non-affiliates as of December 31, 2015 and March 31, 2016 were P3,146,029,941, and P4,243,482,246, respectively.

#### **Documents incorporated by reference**

14. The following documents are incorporated by reference:

None



## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

San Miguel Pure Foods Company Inc. (SMPFC or the “Company”) was incorporated in 1956 to engage primarily in the business of manufacturing and marketing of processed meat products. SMPFC, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising and young animal ration manufacturing and distribution. In the last quarter of 2013, SMPFC, through its wholly-owned subsidiary, San Miguel Mills, Inc. (SMMI), inaugurated and commenced operations of the Golden Bay Grain Terminal in Mabini, Batangas which can accommodate panamax vessels.

SMPFC has been listed on the PSE since 1973.

SMPFC is a leading Philippine food company with market-leading positions in many key products and offers a broad range of high-quality food products and services to household, institutional and foodservice customers in the Philippines. SMPFC has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats, *Purefoods* for refrigerated processed meats and canned meats, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, *B-Meg* for animal feeds and *La Pacita* for biscuit and flour-based snacks beginning February 2015.

The support of intermediate parent company SMC and partnerships with major international companies like United States-based Hormel Foods International Corporation and Singapore-based Super Coffee Corporation Pte Ltd (SCCPL) and Penderyn Pte Ltd. (“Penderyn”) have given SMPFC access to the latest technologies and expertise, allowing it to deliver flavor, freshness, safety, quality and value-for-money to its customers.

Major developments in the Company are discussed in Note 5 (Investments in Subsidiaries), Note 8 (Trade and Other Receivables), Note 14 (Property, Plant and Equipment), Note 15 (Trademarks and Other Intangible Assets), Note 18 (Long-term Debt), Note 19 (Equity), Note 25 (Interest Expense and Other Financing Charges, Interest Income and Other Income (Charges)), Note 34 (Other Matters) and Note 35 (Events After the Reporting Date) of the Audited Consolidated Financial Statements, attached hereto as **Annex “E”**, and in the Management’s Discussion and Analysis of Financial Position and Financial Performance attached hereto as **Annex “D”**.

### Products

**The Company operates its businesses through the following subsidiaries:**

- ***San Miguel Foods, Inc. (SMFI)*** - is a 99.99%-owned subsidiary of SMPFC and operates the integrated Feeds, and Poultry and Fresh Meats businesses, the Franchising business, the San Miguel Integrated Sales selling and distribution activities, and the Great Food Solutions foodservice business.
  - a) ***Feeds business*** - manufactures and sells different types of feeds to commercial farms and distributors. Internal requirements of SMFI’s combined Poultry and Fresh Meats business are likewise being served by the Feeds business.

- b) ***Poultry and Fresh Meats business*** - engages in integrated poultry operations and sells live broilers, dressed chicken, cut-ups and cook-easy formats, as well as customized products for export and for domestic foodservice accounts. It also manages fully-integrated operations for pork and beef, and engages in the sale and distribution of fresh and marinated meats in *Monterey* meat shops located in major supermarkets and cities throughout the country. The business also sells live hogs and supplies the requirements of The Purefoods-Hormel Company, Inc. (PF-Hormel), an affiliate, for the latter's manufacture of meat-based value-added products.
  - c) ***Franchising business*** - engages in franchising operations and was established in September 2011 primarily to strengthen and grow SMFI's retail business model through faster franchise expansion, brand performance improvement and development of new business concepts for retail. Its two (2) retail concepts, namely *San Mig Food Ave.* and *Hungry Juan* roast barbecue outlets, showcase the San Miguel Group's food and beverage products. There are a total of 256 outlets for the two retail concepts operating as at December 31, 2015.
  - d) ***San Miguel Integrated Sales (SMIS)*** - was formed in May 2009 when the receivables, inventories and fixed assets of SMC's Centralized Key Accounts Group were transferred to SMFI. SMIS is engaged in the business of providing logistics and selling services in the identified modern trade and general trade customers of the value-added businesses of the Company, namely Magnolia, PF-Hormel, SMMI's retail flour line and SMSCCI.
  - e) ***Great Food Solutions (GFS)*** - engages in the foodservice business and caters to hotels, restaurants, convenience stores and other institutional accounts for their meat, poultry, dairy, coffee and flour-based requirements, as well as provides food solutions/recipes and menus.
- ***San Miguel Mills, Inc. (SMMI)*** - is a 100%-owned subsidiary of SMPFC and engages in the manufacture and distribution of flour, flour mixes and bakery ingredients. In September 2011, SMMI formed ***Golden Bay Grain Terminal Corporation (GBGTC)*** as its wholly-owned subsidiary. GBGTC, which started commercial operations in September 2013, operates and manages a port terminal and provides general services such as handling of grains, among others. In June 2012, SMMI acquired *Cobertson Realty Corporation (CRC)*, which became a wholly-owned subsidiary of SMMI. CRC is a Philippine corporation engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law. In December 2012, CRC's corporate name was changed to ***Golden Avenue Corp. (GAC)*** following the necessary approvals of CRC's Board of Directors and stockholders, and the SEC.
  - ***The Purefoods-Hormel Company, Inc. (PF-Hormel)*** - is a 60%-40% joint venture between the Company and Hormel Netherlands B.V., which produces and markets value-added refrigerated processed meats and canned meat products. PF-Hormel's refrigerated processed meats include, among others, hotdogs, cold cuts, hams, bacons, nuggets and other ready-to-eat meat products, while its canned meat products include corned beef, luncheon meats, sausages, meat spreads and canned viands.

- ***Magnolia, Inc. (Magnolia)*** - is a 100%-owned subsidiary of SMPFC and manufactures and markets butter, margarine, cheese, milk, ice cream, jelly snacks, cooking oils, salad aids biscuits and powder mixes.
- ***PT San Miguel Pure Foods Indonesia (PTSMPI)*** - started as a 49%-51% joint venture between the Company and the Hero Group of Companies and organized in 1995 for the manufacture and distribution of processed meats in Indonesia. In 2004, SMPFC increased its ownership to 75% following the Hero Group's divestment of its interest in PTSMPI to Lasalle Financial Inc. ("Lasalle"). The remaining 25% is currently owned by Penderyn of Singapore by virtue of the sale and transfer by Lasalle of its entire shareholding in PTSMPI to Penderyn effective February 2, 2010. On February 5, 2010, Lasalle, Penderyn and SMPFC executed an Adherence Agreement pursuant to which Penderyn agreed to observe and perform all obligations of Lasalle under the Joint Venture Agreement relating to PTSMPI.
- ***San Miguel Super Coffeemix Co., Inc. (SMSCCI)*** - is a 70%-30% joint venture between the Company and Super Coffeemix Manufacturing Ltd (SCML) of Singapore, which started commercial operations in April 2005 by marketing its 3-in-1 regular coffee mixes in the Philippines. Since then, SMSCCI has introduced a good number of products, which include a sugar-free line of coffee mixes, 100% Premium Instant Black Coffee, 3-in-1 flavored coffee mixes and coffeemix with cereals. In November 2009, by virtue of the Deed of Assignment and Deed of Novation of Joint Venture Agreement executed by and among SMSCCI, SCML and SCCPL, SCML assigned and transferred its entire shareholding in SMSCCI to SCCPL, and SCCPL agreed to perform and comply with all obligations of SCML under the Joint Venture Agreement relating to SMSCCI.
- ***San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited)*** - is a company incorporated in the British Virgin Islands in August 1996 as a wholly-owned subsidiary of SMC, through San Miguel Foods and Beverage International Limited (SMFBIL). SMPFI Limited owns 100% of San Miguel Pure Foods (Vn) Co., Ltd. (SMPFVN, formerly San Miguel Hormel (VN) Co., Ltd.), a company incorporated in Vietnam which is licensed to engage in live hog farming and the production of feeds, and fresh and processed meats. In December 2006, SMFBIL sold to Hormel Netherlands B.V. (Hormel) its 49% interest in SMPFI Limited. In January 2015, SMPFI Limited became a wholly-owned subsidiary of SMPFC, through SMPFIL.
- ***San Miguel Pure Foods International, Limited (SMPFIL)*** - is a company incorporated in the British Virgin Islands in February 2007 and is 100%-owned by SMPFC. In July 2010, SMPFC, through SMPFIL, acquired SMC's 51% interest (through SMFBIL) in SMPFI Limited. In January 2015, SMPFIL signed an agreement for the purchase from Hormel of the latter's 49% of the issued share capital of SMPFI Limited.
- ***RealSnacks Mfg. Corp.*** - was incorporated in April 2004 as a 100%-owned subsidiary of SMPFC. However, commercial operations have yet to commence.

The list of products and/or services of the Company and its subsidiaries (collectively referred to as the "Group") is attached hereto as **Annex "A"**.

Amounts of revenue, profitability, and identifiable assets attributable to domestic operations for 2015, 2014 and 2013 follow:

( in 000's )

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Sales	₱ 106,013,206	₱ 101,214,979	₱ 97,366,362
Operating income	7,680,269	6,679,065	5,892,808
Total Assets	60,268,439	65,484,504	70,640,243

#### Percentage of Sales Contributed by Export Sales

Information as to the relative contribution of the operating segments to total sales is as follows:

(in 000's)

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Sales	₱106,860,238	₱ 102,999,401	₱ 99,772,930
Agro-Industrial	66.30%	66.20%	64.53%
Value-Added Meats	15.15%	14.60%	14.91%
Milling	8.33%	8.60%	8.71%
Others	10.22%	10.60%	11.85%
TOTAL	100.00%	100.00%	100.00%

The consolidated 2015 revenues include P1,553.2 million or about 1.45% in export sales of the Company's several businesses.

#### Distribution Methods of Products and Services

The Group utilizes different modes of distribution depending on the location and how the subsidiary/division operates. In general, third party logistics providers are hired to provide services related to warehousing, transporting and delivery of goods from the businesses' plants and warehouses to the distributors/dealers, depots and meat shops or directly to key retail and institutional customers.

To maximize utilization of haulers/truckers that cater to the requirements of the value-added businesses of SMPFC, namely, Magnolia, PF-Hormel, SMMI's retail flour line and SMSCCI, the Company's Outbound Logistics Group centrally manages and directs the warehousing, hauling and delivery activities of the third party logistics providers. The value-added businesses, through SMIS, likewise utilize the services of the distributors for the marketing of their products to tertiary channels such as *sari-sari* stores and market stalls.

To ensure product availability at all times, the Poultry and Fresh Meats business maintains a sales force to handle selling of their products to major accounts like supermarkets/hypermarkets and meat shops, and engage third party distributors to handle the selling of their products to groceries and wet markets. SMMI relies mainly on its dealers for the marketing and selling of flour to major biscuits and noodle factories, and bakeries. The Feeds business, on the other hand, largely depends on its strategically located distributors nationwide.

SMIS provides the selling services needed by the identified modern and general trade customers of the value-added businesses of the Company, namely, Magnolia, PF-Hormel, SMMI's retail flour line and SMSCCI. GFS, meanwhile, takes care of selling Poultry, Fresh Meats, SMMI, PF-Hormel, SMSCCI and Magnolia goods to key foodservice customers such as hotels, restaurants, bakeshops, and fast-food and pizza chains.

#### Development of New Product or Service

The Group does not have any publicly announced new major product that is being developed.

#### Competition

The Company is identified in the market for its portfolio of leading and well-recognized brands known for quality, and is regarded as one of the leaders in the food manufacturing industry.

It is estimated that SMFI's Feeds business accounts for more than one-third of the total commercial feeds industry sales volume. It competes with other major industry players such as Univet Nutrition and Animal Healthcare Co. (UNAHCO), Universal Robina Corporation (URC), Pilmico Foods Corporation (Pilmico), Charoen Pokphand Foods of Thailand (CPF), New Hope Group of China and Tateh, as well as with numerous regional feed mill companies and local feed millers, on quality, customer service, distribution network and price. The Feeds milling industry is a commodity-based industry with most of its major raw materials consisting of commodities such as corn, soybean meal, cassava and feed wheat. Since most feed millers use imported major raw materials, the industry is affected by foreign exchange fluctuations. The industry derives its sales mainly from hog and poultry producers. Majority of local industry players have evolved from merely selling feeds products to offering total value service packages to customers such as technical services and after-harvest payment schemes. In terms of product promotion, some market players aggressively invest in various types of visibility campaigns, the most popular of which is through tri-media placements.

SMFI's Poultry business is considered a major player in its industry group and competes on quality, distribution network and customer service. It faces competition from large integrated producers such as Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc. and Gama Foods Corp., as well as from numerous smaller independent broiler producers. The poultry industry has commodity characteristics and is subject to frequent changes in demand and supply. Most of the major integrated producers employ contract-growing schemes for the production of live broilers and have likewise engaged in contract breeding and toll dressing arrangements. SMFI Poultry's competitive advantage lies in the areas of breed management, growing efficiencies, sales and distribution network, and customer care. By the end of 2015, there are more than 1,050 *Magnolia Chicken Stations* nationwide that served as the Poultry business' exclusive retail outlets.

SMFI's Fresh Meats business is considered the holder of the largest market share in the Philippine hogs industry among the large commercial farms and is regarded as a major player in the highly fragmented domestic pork and beef markets. Its main competitors are Robina Farms and Foremost Farms. It also competes with several commercial-scale and numerous small-scale hog and cattle farms that supply live hogs and cattle carcass to buyers. The live buyers, in turn, supply hogs to wet markets and supermarkets. While the majority of fresh meat sales in the Philippines continue to be made in the more traditional, outdoor wet markets, SMPFC considers supermarkets selling their own house-brand products as its main competitor. Since fresh meats are regarded as commodity products, the industry's performance greatly depends on the law of supply and demand. Backyard players largely dominate the unbranded fresh meats

segment while SMFI's Fresh Meats business, carrying the "*Monterey*" brand, accounts for a larger share in the branded segment. SMFI Fresh Meats business competes on quality, distribution network and customer service. As at December 31, 2015, there are over 650 *Monterey* meat shops nationwide distributing quality meats to consumers.

SMMI's Flour business is believed to be the largest producer, seller and distributor of flour in the Philippines. It belongs to a highly commoditized industry sensitive to price movements and generally characterized by low brand loyalty. The Flour business of SMMI accounts for the largest market share in the industry and competes on the basis of price, quality, customer service and distribution reach. Main competitors of SMMI are Philippine Foremost Milling Corporation, Pilmico and URC. Other players in the industry are GMC, Wellington Flour Mills, RFM Corporation (RFM), Morning Star, Liberty Flour Mills, Philippine Flour Mill, Delta and Monde Nissin who produces flour exclusively for its internal requirements. The industry has also seen the entry of new players such as Atlantic Grains, Asian Grains and New Hope. Competition within the industry is intense due to the prevailing excess capacity and the presence of lower-priced imported flour. Most of the competitors produce only a limited number of flour types such as hard flour for bread products and soft flour for biscuits. SMMI differentiates itself by focusing on the production of more specialized, higher quality and higher-priced flours. The industry's growth drivers are population growth, demand for bread and other flour-based products such as noodles, as well as growth of the bakery sector and home baking. SMMI expects to face increased competition in the lower-priced and lower quality segments, and from international and regional flour producers in the future.

The combined shares of PF-Hormel's hotdog brands have positioned the business as the market leader in the hotdogs category. PF-Hormel likewise dominates both the nuggets and the premium segment of corned meats categories. PF-Hormel competes on quality, product innovation, distribution network and customer service. Competitors and competing brands in the Value-Added Meats business include Foodsphere, Inc. (*CDO*), Virginia Foods, Inc. (*Winner* and *Champion*), Century Pacific Food Inc. (*Swift*, *Argentina* and *555*), Meken Food Corporation (*Mekeni*), Frabelle Food Corp. (*Bossing*), Sunpride (*Sunpride*, *Holiday* and *Good Morning*) and the distributors of *Maling*. In recent years, the Value-Added Meats business of PF-Hormel experienced increased competition both from the established local players, who are employing aggressive pricing and promotion schemes, and from new entrants to the market. To maintain its leadership position, San Miguel Pure Foods has responded by maintaining high product quality, continuing innovation, increasing advertising and promotions, and by enhancing consumer experience through strategic alliances with institutions such as theme parks, events venues and schools. Increased demand for out-of-home consumption, consumers' preference for ready-to-eat meals, smaller size and mid-priced brands, and the growing demand for healthy products continued to be the prevailing trends in the industry.

Magnolia offers a wide array of products to Filipino consumers and its *Magnolia* brand is recognized as one of the most trusted brands in the country. It competes in various categories, which include bread spreads such as butter, margarine (refrigerated and non-refrigerated), cheese and salad dressings, ready-to-drink milk, jelly-based snacks, cooking oils, ice cream, biscuit and flour-based snacks (starting February 2015) and powder mixes (beginning October 2015). Magnolia caters to both retail and institutional sectors of the market. While brand building is critical to the retail sector, the institutional segment is more price-driven. Magnolia is one of the top players in the butter category alongside Fonterra Philippines for *Anchor Butter*. In the refrigerated margarine category where New Zealand Cremery, Inc. (NZC) and RFM Corporation (RFM) also compete, Magnolia accounts for a significant market share. Magnolia likewise dominates the non-refrigerated margarine category where San Pablo Manufacturing and AD Gothong Manufacturing also compete. In the cheese category, however, Mondelez Philippines, Inc. (formerly Kraft Foods Philippines) is the leading player followed by Magnolia and NZC. Major players in the bread spreads industry continue to reach consumers via tri-media to spur

trial and usage for their products, and have resorted to downsizing to reduce cash outlay in line with efforts to sustain consumption. The milk industry, on the other hand, has Nestle Philippines, Inc. (Nestle) as the major player with Magnolia following suit. For the jelly-based snacks industry, the main players are Magnolia, Knotsberry Farm and Best Tiwi. The ice cream industry registered growth versus 2014 on account of heavy advertising and promotion spending by major players and continued new product launches. The market is dominated by Unilever-RFM, maker of *Selecta*, and Nestle, with Magnolia ranking as the third largest player.

The coffee industry, where one of the players is the Company's coffee business under SMSCCI, is composed of instant coffee, coffee mixes and ready-to-drink coffee. Competitors and competing brands in the coffee mix segment are Nestlé (*Nescafe*), Tridharma Marketing Corp. (*Kopiko*), URC (*Great Taste*), and Goldshine Pharmaceuticals, Inc. (*Jimm's*). Coffee remains to be among the top beverages consumed in the country, and appeals to a much broader market coming from all socio-economic classification demographics. Consumer preference, however, has shifted from the regular flavor to the White variant.

Major industry players have taken advantage of the growing popularity of the digital medium, thus, the use of social networking sites as alternative in promoting their products.

SMPFC believes that its competitive strengths will enable it to protect and build on its leadership position in the food industry at the same time sustain the competitiveness of its different businesses. It will continue to improve and introduce quality products and create product differentiation.

#### Purchase of Raw Materials and Supplies

Major suppliers of SMFI's Feeds business for its soybean meal requirements are Singapore-based Louis Dreyfus Commodities Asia and Bunge Agribusiness Singapore PTE Ltd. The business' feed wheat requirements, on the other hand, are imported from USA-based CHS Inc. and from Singapore-based Bunge Agribusiness Singapore PTE Ltd. Other raw materials are sourced from various local suppliers.

SMFI's Poultry business' breeder stocks are imported mostly from Aviagen and Cobb Vantress Inc., both are agribusiness firms based in U.S.A, and from France-based Hubbard S.A.S.

SMFI's Fresh Meats business imports most of its growing cattle requirements from Australia-based live cattle exporters, namely, Australia Rural Exports Pty. Ltd. (AUSTREX) and South East Asian Livestock Services (SEALS), while majority of its breeding hogs are sourced locally from TOPIGS Philippines, Inc. and PIC Philippines, Inc.

The internal feeds and more than 20% of veterinary medicine requirements of SMFI's Poultry and Fresh Meats business are served by its Feeds business.

SMMI's Flour business imports more than 20% of its wheat requirements from Singapore-based Bunge Agribusiness Singapore Pte. Ltd. and U.S.A.-based Columbia Grains International and CHS Inc.

PF-Hormel gets its meat requirements from various local suppliers and from affiliate, SMFI. On the other hand, India-based Allanasons Limited is considered as the major supplier for PF-Hormel's imported meat requirements.

Magnolia imports more than 20% of its major raw materials, such as cheese curds and anhydrous milk fat, from Fonterra (SEA) Pte. Ltd. based in Singapore while the bulk of its oil requirements are sourced from Tap Oil Manufacturing Corp., a domestic company.

SMSCCI imports its coffee mixes for repacking from SCCPL based in Singapore, SCML (Thailand) Company Ltd. and Super Coffeemix Vietnam Ltd. (SCVL).

Except for SMSCCI whose coffee mixes are provided solely by SCCPL, SCML and SCVL, the Company and its subsidiaries are not dependent on one or a limited number of suppliers for its essential raw materials and supplies, such that, operations will not be disrupted if any supplier refuses or cannot meet its delivery commitment.

### Customers

The Company and its subsidiaries have a broad market base that includes supermarkets, hypermarkets, grocery stores, cooperative stores, sari-sari stores, convenience stores, warehouse clubs, mini-marts, market stalls, wet market vendors/dealers and commissaries, wholesalers/distributors, animal raisers, buyers of live birds and institutional accounts (*i.e.*, fast food outlets and restaurants, burger and pizza chains, bakeshops/bakeries, hotels, kiosks, snack/biscuit manufacturers, noodle manufacturers, membership clubs, school/office canteens and franchise holders). The Company sells its products in Luzon, Visayas and Mindanao through its own sales force or SMIS and through strategically located partners/distributors/dealers all over the country.

SMPFC and its subsidiaries taken as a whole is not dependent on a single customer or a few customers the loss of any or more of which would have a material adverse effect on the Group's operations. This allows flexibility in managing the Group's sales activities.

### Transactions with and/or Dependence on related parties

The Group, in the ordinary course of its business, has entered into transactions with affiliates and other related parties. These transactions, which consist principally of sale and/or purchase of goods and/or services as discussed in the foregoing section on Purchase of Raw Materials and Supplies, are also described in Note 28 (Related Party Disclosures) of the Audited Consolidated Financial Statements attached hereto as **Annex "E"**. Transactions with related parties are fair, entered into on an arm's length basis and at market rates.

### Patents, Trademarks, Copyrights, Licenses

Brands, trademarks, patents and other related intellectual property rights used by the Company and its subsidiaries on its principal products in the Philippines and foreign markets, including processed meats, dairy, coffee, biscuits, food service and franchising, as well as stable-priced commodity products that have undergone additional processing, such as marinated meats and products sold through Monterey Meatshops, Magnolia Chicken Stations and other branded distribution outlets, are either registered or pending registration in the name of SMPFC or an affiliate company.

The Group regularly renews the registrations of those brand names, related trademarks and other intellectual property rights already registered, which it uses or intends to use, upon expiry of their respective terms. Maintenance and protection of these brands and related intellectual property rights are important to ensuring the Group's distinctive corporate and market identities.



The Group is also responsible for defending against any infringements on its brands or other proprietary rights. In this connection, the Group monitors products released in the market that may mislead consumers as to the origin of such products and attempt to ride on the goodwill of the Group's brands and other proprietary rights. The Group also retains independent external counsels to alert the Company of any such attempts and to enjoin third parties from the use of colorable imitations of the Group's brands and/or marked similarities in general appearance or packaging of products, which may constitute trademark infringement and unfair competition.

### Government Approvals

The Company and its subsidiaries have obtained all necessary permits, licenses and government approvals to manufacture and sell its products.

### Governmental Regulation

The Company and its subsidiaries have no knowledge of recent or probable governmental regulations, the implementation of which will result in a material adverse effect on the Company and its significant subsidiaries' business or financial position.

Various laws and government agencies in the Philippines regulate the manufacturing, processing, sale and distribution aspects of the Group's businesses. The Company and its subsidiaries are subject to regulation under these laws by the relevant government authorities.

The following are noteworthy laws specific to the food business:

#### **The Philippine Competition Act**

The Philippine Competition Act was enacted to provide a national competition policy, prohibit anti-competitive agreements, abuse of dominant position, and anti-competitive mergers and acquisitions and establish the Philippine Competition Commission.

The law covers any person or entity engaged in trade, industry or commerce within the Philippines, as well as international trade, having direct, substantial and foreseeable effects in the trade, industry or commerce in the Philippines. It prohibits competitors from entering into anti-competitive agreements. It likewise prohibits abuse of dominant position and entering into other agreements with the object or effect of substantially preventing, restricting or lessening competition.

The Philippine Competition Commission is primarily tasked to implement the law and establish its Implementing Rules and Regulations.

#### **The Food Safety Act of 2013**

The Food Safety Act of 2013 was enacted into law to strengthen the food safety regulatory system in the country. The food safety regulatory system encompasses all the regulations, food safety standards, inspection, testing, data collection, monitoring and other activities carried out by the Department of Agriculture (the "DA") and the Department of Health (the "DOH"), their pertinent bureaus, and the local government units.

The law aims for a high level of food safety, protection of human life and health in the production and consumption of food, and the protection of consumer interests through fair practices in the food trade. The law provides that the DA and the DOH shall set the mandatory food safety standards, which shall be established on the basis of science, risk analysis, scientific advice from expert bodies, standards of other countries, existing Philippine National Standards and the standards of the Codex Alimentarius Commission, where these exist and are applicable.

Under this law, food business operators are charged with certain responsibilities to prevent, eliminate or reduce risks to consumers. They are further encouraged to implement a Hazard Analysis at Critical Control Points-based system for food safety assurance in their operations.

### **The Foods, Drugs and Devices, and Cosmetics Act**

The Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 (the “FDDC Act”), establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines. The Food and Drug Administration (the “FDA”, previously referred to as the Bureau of Food and Drugs) is the governmental agency under the DOH tasked to implement and enforce the FDDC Act.

Pursuant to the FDDC Act, food manufacturers are required to obtain a license to operate as such. The law further requires food manufacturers to obtain a certificate of product registration for each product it sells in the market.

The DOH also prescribes Guidelines on Current Good Manufacturing Practice in Manufacturing, Packing, Repacking, or Holding Food for food manufacturers, the Code on Sanitation of the Philippines, and the Philippine National Standards for Drinking Water.

### **The Consumer Act**

The Consumer Act of the Philippines (the “Consumer Act”) establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of food products. The DOH (which includes the FDA) is the government agency tasked to implement the Consumer Act with respect to food products.

The Consumer Act provides for minimum labeling and packaging requirements for food products to enable consumers to obtain accurate information as to the nature, quality, and quantity of the contents of food products available to the general public.

### **The Livestock and Poultry Feeds Act**

The Livestock and Poultry Feeds Act and its implementing rules and regulations (the “Livestock and Poultry Feeds Act”), regulates and controls the manufacture, importation, labeling, advertising and sale of livestock and poultry feeds. The Bureau of Animal Industry (the “BAI”) is the governmental office under the DA tasked to implement and enforce the Livestock and Poultry Feeds Act.

Under the Livestock and Poultry Feeds Act, any entity desiring to engage in the manufacture, importation, exportation, sale, trading or distribution of feeds or other feed products must first register with the BAI. Further, all commercial feeds must comply with the nutrient standards prescribed by the DA. The Livestock and Poultry Feeds Act also provides branding, labeling and advertising requirements for feeds and feed products.

### **The Meat Inspection Code**

The Meat Inspection Code of the Philippines (the “Meat Inspection Code”) establishes quality and safety standards for the slaughter of food animals and the processing, inspection, labeling, packaging, branding and importation of meat (including, but not limited to, pork, beef and chicken meat) and meat products. The National Meat Inspection Service (the “NMIS”), a specialized regulatory service attached to the DA, serves as the national controlling authority on all matters pertaining to meat and meat product inspection and meat hygiene to ensure meat safety and quality from farm to table. In this regard, the DA mandates the application of Good Manufacturing Practices in all NMIS accredited meat establishments.

The Meat Inspection Code provides for labeling, branding and packaging requirements for meat and meat products to enable consumers to obtain accurate information and ensure product traceability.

### **The Price Act**

The Price Act covers unbranded basic necessities, such as fresh pork, beef and poultry meat, milk, coffee and cooking oil, and prime commodities, such as flour, dried, processed and canned pork, beef and poultry meat, other dairy products and swine and poultry feeds. The Price Act is primarily enforced and implemented by the DA and the Department of Trade and Industry in relation to such products.

Under the Price Act, the prices of basic commodities may be automatically frozen or placed under price control in areas declared as disaster areas, under emergency or martial law, or in a state of rebellion or war, for a maximum period of 60 days only. In cases of calamities, emergencies, illegal price manipulation or when the prevailing prices have risen to unreasonable levels, it is the President of the Philippines who can impose a price ceiling on basic necessities and prime commodities.

### **The Philippine Food Fortification Act**

The Philippine Food Fortification Act of 2000 (the “PFF Act”) provides for the mandatory fortification of wheat flour, cooking oil and other staple foods and the voluntary fortification of processed food products. The FDA is the government agency responsible for the implementation the PFF Act with the assistance of the different local government units which are tasked under the said law to monitor foods mandated to be fortified which are available in public markets, retail stores and food service establishments and to check if the labels of fortified products contain nutrition facts stating the nutrient added and its quantity.

### **Research and Development**

The total amount spent by the Company and its subsidiaries on research and development for the years 2015, 2014 and 2013 were P419.2 million, P281.7 million and P275.3 million, respectively. As a percentage of net sales revenues, spending on research and development for the years 2013 to 2015 ranged from 0.3% to 0.4%.

### **Cost of Compliance with Environmental Laws**

The Company and its subsidiaries incurred about P30.7 million in expenses for environmental compliance for the year 2015. On an annual basis, operating expenses incurred by the Group to comply with environment laws are not significant or material relative to the Company and its subsidiaries’ total cost and revenues.

## Human Resources and Labor Matters

Please see the list of Collective Bargaining Agreements entered into by the Company and its significant subsidiaries with its various employee unions, as well as the Group's employee headcount by position attached hereto as **Annex "B"**.

The Group does not expect any significant change in its existing workforce level within the ensuing 12 months.

Majority of the subsidiaries of the Company have funded, noncontributory defined benefit retirement plans covering all of its permanent employees.

Under the retirement plans of the subsidiaries, all regular monthly-paid and daily paid employees of the subsidiaries are eligible members. Eligible members who reach the age of 60 are entitled to compulsory retirement. The Company's subsidiaries may, however, at their own discretion, continue an employee's membership under the plan on a year-to-year basis after he/she reaches compulsory retirement. Eligible members may opt to retire earlier after they have completed at least 15 years of credited service with the Company's subsidiaries. Upon retirement, eligible members will receive a certain percent of their final monthly pay for each year of their credited service. The amount varies depending on the years of service of the retiree. Eligible members may receive certain resignation benefits if they resign before they reach an eligible retirement date if they have completed at least five years of service with the Company's subsidiaries. The retirement plans are further described in Note 27 (Retirement Plans) of the Audited Consolidated Financial Statements of the Company attached hereto as **Annex "E"**.

## Major Business Risks

The major business risks the Company and its subsidiaries have to contend with are the following:

### *Competition Risks*

The Group operates in highly competitive environments. New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new or updated technologies, costs reductions, and the reconfiguration of the industry's value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products. The Company's Corporate Innovations Group helped primarily in identifying breakthrough ideas for new product categories, synergize marketing initiatives of the Group and develop innovation opportunities.

### *Operational Risks*

The facilities and operations of the Group could be disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters, outbreaks of animal diseases, such as bird flu or avian influenza (chicken), foot-and-mouth and *Ebola Reston* (hogs) and mad cow, and other unforeseen circumstances and problems. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and unplanned inventory build-up, all of which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices. To manage occasional outbreaks of animal diseases, the Group adopted preventive measures like farm sanitation and bio-security to minimize, if not totally avoid, the risks from these diseases.

#### *Legal and Regulatory Risks*

The businesses and operations of the Group are subject to a number of national and local laws, rules and regulations governing several different industries in the Philippines and in other countries where it conducts its businesses. The Group is also subject to various taxes, duties and tariffs.

In addition, the Philippine government may periodically implement measures aimed at protecting consumers from rising prices, which may constrain the ability of the Group to pass-on price increases to distributors who sell its products, as well as its customers. Implementation of any such measures could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, the Group maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations. In the event that the Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, the Group endeavors to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

#### *Social and Cultural Risks*

The ability of the Group to successfully develop and launch new products and maintain demand for existing products depends on the acceptance of such products by consumers and their purchasing power and disposable income levels, which may be adversely affected by unfavorable economic developments in the Philippines. A significant decrease in disposable income levels or consumer purchasing power of the target markets could materially and adversely affect the financial position and financial performance of the Group. Consumer preferences may shift for a variety of reasons, including changes in culinary, demographic and social trends or leisure activity patterns. Concerns about health effects due to negative dietary effects or other factors may also affect consumer purchasing patterns for the food products. If the marketing strategies of the Group are not successful or do not respond timely or effectively to changes in consumer preferences, the business and prospects of the Group could be materially and adversely affected.

#### *Raw Materials Sourcing Risks*

The products and businesses of the Group depend on the availability of raw materials. Most of these raw materials, including some critical raw materials, are procured from third parties. These raw materials are subject to price volatility caused by a number of factors, including changes in global supply and demand, foreign exchange rate fluctuations, weather conditions and governmental controls.

Movements in the supply of global crops may affect prices of raw materials such as wheat. The Group may also face increased costs or shortages in the supply of raw materials due to the imposition of new laws, regulations or policies.

Alternative sources of raw materials are used in the Group's operations to avoid and manage risks on unstable supply and higher costs.

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins.

#### *Financial Risks*

In the course of its operations, the Group is exposed to financial risks, namely:

##### 1. Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the long-term borrowings and investment securities. Investments acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

##### 2. Foreign Currency Risk

The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group.

##### 3. Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

##### 4. Credit Risk

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 trade and other receivables and investment securities.

Prudent fund management is employed to manage exposure to changes in earnings as a result of fluctuations in interest and foreign currency rates.

The Group uses derivative instruments to manage its exchange rate risk exposure.

Liquidity risks are managed to ensure adequate liquidity of the Group through monitoring of accounts receivables, inventory, loans and payables. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

Please refer to Note 31 of the Audited Consolidated Financial Statements attached hereto as **Annex "E"** for the discussion of the Group's Financial Risk and Capital Management Objectives and Policies.

Other risk factors that could materially and adversely affect the business, financial condition and results of operations of the Group are discussed in more detail in the Prospectus dated February 11, 2015 (filed with the SEC, disclosed to the PSE and uploaded in the Company's website), relating to the offer and sale by way of a primary offer in the Philippines (the "Offer") of up to 15,000,000 cumulative, non-voting, non-participating, non-convertible Peso-denominated perpetual preferred shares with a par value of P10.00 each (the "Series 2 Preferred Shares").

## Item 2. Properties

A summary of information on the various properties owned and leased by the Group, including the conditions thereof, are attached hereto as **Annex “C”**.

The Group owns its major facilities, *i.e.*, flour mills, grain terminal, meats processing plants, ice cream plant, and butter, margarine and cheese plant. Its Feeds, Fresh Meats and Poultry operations, including the poultry dressing operation, however, are mostly contracted out to third parties.

The Company and its subsidiaries have no principal properties that are subject to a mortgage, lien or encumbrance.

There are no imminent acquisitions of any material property, which cannot be funded by the working capital of the Group.

For additional information on the Group’s properties, please refer to Note 13 (Investment Property) and Note 14 (Property, Plant and Equipment) of the Audited Consolidated Financial Statements attached hereto as **Annex “E”**.

## Item 3. Legal Proceedings

The Company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Company or its results of operations.

## Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of SMPFC’s shareholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2015.

# PART II – OPERATIONAL AND FINANCIAL INFORMATION

## Item 5. Market for Registrant’s Common Equity and Related Stockholder Matters

The Company’s common equity is traded in the PSE.

The Company’s high and low prices for each quarter of the last two fiscal years, are as follows:

Quarter	2015		2015		2014		2014	
	Common		Preferred Series 2		Common		Preferred	
	High	Low	High	Low	High	Low	High	Low
1 <sup>st</sup>	218.00	201.60	1,047.00	1,011.00	275.00	216.00	1,050.00	1,020.00

2 <sup>nd</sup>	209.00	161.00	1,064.00	1,037.00	267.60	210.00	1,040.00	1,016.00
3 <sup>rd</sup>	170.50	129.50	1,055.00	1,002.00	235.20	220.00	1,030.00	1,005.00
4 <sup>th</sup>	142.50	120.00	1,044.00	1,016.00	238.00	208.00	1,030.00	1,005.00

The closing prices as of the latest practicable trading date are:

Common shares	P 136.10	March 2, 2016
Preferred shares	P 1,018.00	March 2, 2016

The approximate numbers of shareholders of the Company as of December 31, 2015, are as follows:

Common shareholders	134
Preferred Series 2 shareholders	98

The Company's top 20 stockholders of (a) common shares, (b) preferred shares, and (c) combined common and preferred shares, as at December 31, 2015 are as follows:

(a) Common shares

Rank	Stockholder Name	Total Common Shares	% of Outstanding Common Shares
1	San Miguel Corporation	142,279,267	85.367340%
2	PCD Nominee Corporation (Non-Filipino)	12,020,909	7.212527%
3	PCD Nominee Corporation (Filipino)	9,797,311	5.878371%
4	Q-Tech Alliance Holdings, Inc.	2,051,140	1.230681%
5	Saturn Cement Marketing Corporation	416,720	0.250031%
6	PFC ESOP/ESOWN Account	27,110	0.016266%
7	Cecille Y. Ortigas	22,861	0.013717%
8	Ramon L. Chua	7,714	0.004628%
9	Jorge Ramos	6,924	0.004154%
10	Ana Maria De Olondriz Ortigas	5,531	0.003319%
11	Pacifico De Ocampo	4,324	0.002594%
12	William Pendarvis	2,937	0.001762%
13	Teodoro Quijano	1,413	0.000848%
14	Principe P. Reyes	1,413	0.000848%
15	Maxima A. Senga	1,305	0.000783%
16	Francis Fernan	1,224	0.000734%
17	Honesto B. Buendia	1,176	0.000706%
18	Adriano F. Morales	1,000	0.000600%
19	Roseller A. Mendoza	1,000	0.000600%
20	Jose Avellana	980	0.000588%



(b) Preferred Series 2 shares

<b>Rank</b>	<b>Stockholder Name</b>	<b>Total Preferred Series 2 Shares</b>	<b>% of Outstanding Preferred S2 Shares</b>
1	PCD Nominee Corporation (Filipino)	14,604,525	97.363500%
2	PCD Nominee Corporation (Non-Filipino)	65,295	0.435300%
3	Knights of Columbus Fraternal Association of the Philippines Inc.	50,000	0.333333%
4	First Life Financial Co., Inc.	40,000	0.266667%
5	Antonette S. Rosca or Anthony R. De Zuzuarregui	40,000	0.266667%
6	Hilton D. R. Beltran or Maribel Y. Beltran	17,000	0.113333%
7	Chona G. Sado or Doreen G. Bermudez	15,000	0.100000%
8	Jason E. Cayabyab or Jessica E. Cayabyab	10,500	0.070000%
9	Anthony R. De Zuzuarregui or Krizia Katrina T. De Zuzuarregui	10,000	0.066667%
10	Buenaventura P. Quijano or Sofie P. Quijano	10,000	0.066667%
11	Leo F. Hernandez or Sylvia B. Hernandez	10,000	0.066667%
12	Maria Teresa Q. Lim or Wilson B. Quimpo or Manuel B. Quimpo or Merly Q. Banting or Myrna Q. Ng	10,000	0.066667%
13	Teresita L. Pe or Jinky P. Tobiano or Julio C. Tobiano	7,000	0.046667%
14	Ma. Concepcion D. G. Asuncion or Mon Eduardo D.G. Asuncion or Martha Elaine D. G. Asuncion or Miguel Enrico D. G. Asuncion or Marco Evelio D. G. Asuncion	6,500	0.043333%
15	Rowena A. Ganibo	6,000	0.040000%
16	Enrique LL Yusingco	5,250	0.035000%
17	Teresita S. Hizon or Minerva H. Villacorta	5,000	0.033333%
18	Perla P. Dazon or Conrado D. G. De Gracia	5,000	0.033333%
19	Amando A. Gomez II	5,000	0.033333%
20	Antonio T. Chua	4,000	0.026667%

(c) Combined Common and Preferred Series 2 shares

<b>Rank</b>	<b>Stockholder Name</b>	<b>No. of Shares</b>			<b>% vs</b>
		<b>Common</b>	<b>Preferred Series 2</b>	<b>Total</b>	<b>Outstanding Shares</b>
1	San Miguel Corporation	142,279,267	0	142,279,267	78.318677%
2	PCD Nominee Corporation (Filipino)	9,797,311	14,604,525	24,401,836	13.432172%
3	PCD Nominee Corporation (Non-Filipino)	12,020,909	65,295	12,086,204	6.652941%
4	Q-Tech Alliance Holdings, Inc.	2,051,140	0	2,051,140	1.129065%
5	Saturn Cement Marketing Corporation	416,720	0	416,720	0.229387%

6	Knights of Columbus Fraternal Association of the Philippines Inc.	0	50,000	50,000	0.027523%
7	Antonette S. Rosca or Anthony R. De Zuzuarregui	0	40,000	40,000	0.022018%
8	First Life Financial Co., Inc.	0	40,000	40,000	0.022018%
9	PFC ESOP/ESOWN Account	27,110	0	27,110	0.014923%
10	Cecille Y. Ortigas	22,861	0	22,861	0.012584%
11	Hilton D. R. Beltran or Maribel Y. Beltran	0	17,000	17,000	0.009358%
12	Chona G. Sado or Doreen G. Bermudez	0	15,000	15,000	0.008257%
13	Jayson E. Cayabyab or Jessica E. Cayabyab	0	10,500	10,500	0.005780%
14	Buenaventura P. Quijano or Sofie P. Quijano	0	10,000	10,000	0.005505%
15	Maria Teresa Q. Lim or Wilson B. Quimpo or Manuel B. Quimpo or Merly Q. Banting or Myrna Q. Ng	0	10,000	10,000	0.005505%
16	Leo F. Hernandez or Sylvia B. Hernandez	0	10,000	10,000	0.005505%
17	Anthony R. De Zuzuarregui or Krizia Katrina T. De Zuzuarregui	0	10,000	10,000	0.005505%
18	Ramon L. Chua	7,714	0	7,714	0.004246%
19	Teresita L. Pe or Jinky P. Tobiano or Julio C. Tobiano	0	7,000	7,000	0.003853%
20	Jorge Ramos	6,924	0	6,924	0.003811%

As of December 31, 2015, the Company had a public float of 14.61%, as reflected in the Public Ownership Report for the said period.

Dividends may be declared at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations both at the parent and subsidiary level and other factors the Board may deem relevant.

Since March 30, 2010, the cash dividend policy of the Company has been to distribute cash dividends to the holders of its common shares in an amount equivalent to approximately 70% of the prior year's recurring net income. Recurring net income is net income calculated without respect to extraordinary events that are not expected to recur. The Company expects that the dividend distributions shall be made over the four quarters of the year, subject to the applicable laws and regulations and based on the recommendation of the Board. In considering dividend declarations for each quarter, the Board has in the past and will in the future, take into consideration dividend payments on the preferred shares, and other factors, such as the implementation of business plans, debt service requirements, debt covenant restrictions, funding of new investments, major capital expenditure requirements, appropriate reserves and working capital, among others.

On March 26, 2014, the Company's Board of Directors declared a P48.00 per share special cash dividend to all common shareholders of record as of April 11, 2014 and payable on May 12, 2014.

Under the terms of the preferred shares offer of the Company in February 2011 (the “PFP Shares”), as and if dividends are declared by the Board, dividends on the preferred shares shall be at a fixed rate of 8.0% per annum applicable up to the fifth anniversary of the issue date of such shares. The Company redeemed all outstanding PFP Shares in March 2015.

Under the terms of the perpetual series 2 preferred shares offer of the Company in February 2015 (the “PFP2 Shares”), as and if dividends are declared by the Board, dividends on the PFP2 Shares shall be at a fixed rate of 5.6569% per annum applicable up to the fifth anniversary of the issue date of such shares.

In accordance with the foregoing, the Company paid out cash dividends as follows:

<u>Fiscal Year</u>	<u>Stock Type</u>	<u>Aggregate Amount (per share)</u>
2015	Common	P 4.80
	PFP	P20.00
	PFP2	P42.42675
2014	Common	P51.60
	PFP	P80.00
2013	Common	P 4.80
	PFP	P80.00

There were no securities sold by the Company within the past three (3) years that were not registered under the Securities Regulation Code.

In January 2011, the SEC approved the Company’s Registration Statement covering the registration of 15,000,000 PFP Shares with a par value of P10.00 per share, and the PSE approved, subject to certain conditions, the application of the Company to list the PFP Shares to cover the Company’s follow-on preferred shares offering at an offer price of P1,000.00 per share. In February 2011, on the basis of the SEC order for the registration of the Company’s PFP Shares and Certificate of Permit to Offer Securities for Sale, SMPFC offered for subscription by the public the PFP Shares with 5-year maturity at an offer price of P1,000.00 per share. The dividend rate was set at 8% per annum. The offering was fully subscribed and the PFP Shares were issued on March 3, 2011, its listing date on the PSE.

On November 23, 2012, SMC completed the secondary offering of a portion of its common shares in the Company following the crossing of the shares at the PSE on November 21, 2012. The offer consisted of 25,000,000 common shares, inclusive of an over-allotment of 2,500,000 common shares, at a price of P240.00 per share. The completion of the secondary offering resulted in the increase of the Company’s public float to more than 10%, in compliance with the minimum public ownership requirement of the PSE for listed companies.

On February 3, 2015, the Board of Directors of SMPFC approved the redemption of the PFP Shares issued by the Company on March 3, 2011 at the redemption price of P1,000.00 per share. The redemption price and all accumulated unpaid cash dividends, were paid on March 3, 2015 to the preferred stockholders of record as of February 17, 2015, in accordance with the Notice of Redemption, including guidelines for the payment of the redemption proceeds issued by the Company for the purpose.

Later in the same month of February 2015, the SEC approved the Company’s Registration Statement covering the registration of 15,000,000 PFP2 Shares with a par value of P10.00 per share, and the PSE approved, subject to certain conditions, the application of the Company to list the PFP2 Shares to cover

the Company's preferred shares offering at an offer price of P1,000.00 per share. On the basis of the SEC order for the registration of the Company's PFP2 Shares and Certificate of Permit to Offer Securities for Sale, SMPFC offered for subscription by the public the PFP2 Shares with 5-year maturity at an offer price of P1,000.00 per share. The dividend rate was set at 5.6569% per annum. The offering was fully subscribed and the PFP2 Shares were issued on March 12, 2015, its listing date on the PSE.

Description of the securities of the Company may be found in Note 19 (Equity) of the Audited Consolidated Financial Statements, attached hereto as **Annex "E"**.

As stated in Note 19 of the Audited Consolidated Financial Statements, the Company's accumulated earnings in subsidiaries are not available for dividend declaration until declared by the respective investees.

## **Item 6. Management's Discussion and Analysis or Plan of Operation**

The information required by Item 6 may be found on **Annex "D"** attached hereto.

## **Item 7. Financial Statements (FS) and Other Documents Required to be filed with the FS under SRC Rule 68, as Amended**

The 2015 Audited Consolidated Financial Statements of the Company (with the auditors' PTR, name of certifying partner and address) and Statement of Management's Responsibility are attached hereto as **Annex "E"** with the Supplementary Schedules (including the report of the external auditors on the Supplementary Schedules) attached hereto as **Annex "E-1"**.

The additional components of the FS together with their corresponding separate report of auditor, required to be filed with the FS under SRC Rule 68, as amended, are hereto attached as follows:

Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4 [c])	<b>Annex "E-2"</b>
Tabular schedule of standards and interpretations as of reporting date (Part 4 [I]), and a Map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, parent company, subsidiaries or co-subsidiaries, and associates (Part 4 [h])	<b>Annex "E-3"</b>
Schedule of indicators of financial soundness	<b>Annex "E-4"</b>

## **Item 8. Information on Independent Accountant and Other Related Matters**

### A. External Audit Fees and Services

The accounting firm of Reyes Tacandong & Co. ("RT & Co.") served as SMPFC's external auditors for fiscal year 2015. For fiscal year 2016, the Board of Directors will again nominate RT & Co. as the Company's external auditors.

Representatives of RT & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

R.G. Manabat & Co. ("RGM & Co.", formerly Manabat Sanagustin & Company, CPAs) served as the Company's external auditors for fiscal year 2014. The change in the external auditors of the Company from RGM & Co. to RT & Co. in the 2015 annual stockholders' meeting of SMPFC is in accordance with the recommendation to change external auditors for good corporate governance purposes.

For the Company's offering of perpetual series 2 preferred shares in February 2015, the fees billed for the services rendered by RGM & Co. amounted to around P1.8 million. No other services were rendered by RGM & Co. to SMPFC.

Fees billed for the services rendered by the external auditors to the Company in connection with the Company's annual financial statements and other statutory and regulatory filings for 2014 and 2015 amounted to about P1.5 million per year.

The stockholders approve the appointment of the Company's external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

#### B. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Company's external auditors on accounting and financial disclosure.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer

The names of the directors and key executive officers of the Company that served as such in the year 2015, and their respective ages, periods of service, qualifications, directorships in other reporting companies and positions in the last five (5) years, are as follows:

#### Board of Directors

**Eduardo M. Cojuangco, Jr.**, Filipino, 80, is the Chairman and a non-executive director of the Company, a position he has held since May 22, 2001, and Chairman of the Company's Executive Committee (since April 25, 2002). He is also Chairman and Chief Executive Officer of listed companies San Miguel Corporation and Ginebra San Miguel, Inc. He is likewise the Chairman of listed company Petron Corporation, and private companies ECJ and Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc.; and a Director of Caiñaman Farms, Inc. He was previously Director of Manila Electric Company (February 2009 to May 2009). Mr. Cojuangco attended the College of Agriculture, University of the Philippines, as well as California Polytechnic College in San Luis Obispo, U.S.A. Among others, he was conferred the Degree of Doctor of Economics *Honoris Causa* by the University of Mindanao and the Degree of Doctor of Agri-Business *Honoris Causa* by the Tarlac College of Agriculture.

**Ramon S. Ang**, Filipino, 62, is the Vice Chairman of the Company, a position he has held since May 13, 2011. He has been a Director of the Company since May 22, 2001 and a member of the Company's Executive Committee (since April 25, 2002) and Executive Compensation Committee (since November 7, 2013). He also holds, among others, the following positions: Vice Chairman, President and Chief Operating Officer of listed company San Miguel Corporation; Chairman and Chief Executive Officer of SMC Global Power Holdings Corp.; Chairman and President of San Miguel Properties, Inc., San Miguel Energy Corporation, Atea Tierra Corporation and Philippine Oriental Realty Development Inc.; Chairman of listed company Liberty Telecoms Holdings Inc., and private companies San Miguel Brewery Inc. (listed with the PDEX), San Miguel Yamamura Packaging Corporation, San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Anchor Insurance Brokerage Corporation, San Miguel Brewery Hong Kong Limited, Philippine Diamond Hotel & Resort, Inc. and Manila North Harbour Port, Inc. He is also the President and Chief Executive Officer of listed companies Top Frontier Investment Holdings Inc. and Petron Corporation; and a Director of listed company Ginebra San Miguel, Inc. Mr. Ang holds a Bachelor's Degree in Mechanical Engineering from Far Eastern University.

**Francisco S. Alejo III**, Filipino, 67, is the President of the Company, a position he has held since May 20, 2005. He has been a Director of the Company since May 22, 2001 and a member of the Company's Executive Committee (since April 25, 2002) and Nomination and Hearing Committee (since May 20, 2005). He also holds the following positions: Chairman and President of RealSnacks Mfg. Corp.; Chairman of Sugarland Corporation, Golden Food & Dairy Creamery Corporation, San Miguel Pure Foods (Vn) Co., Ltd., Golden Bay Grain Terminal Corporation, Golden Avenue Corp. and Philippine Prime Meat Marketing Corporation; Vice Chairman of San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc. and Magnolia Inc.; Director of listed company Ginebra San Miguel, Inc. and private companies San Miguel Super Coffeemix Co., Inc., San Miguel Foods & Beverage International Limited (BVI), San Miguel Pure Foods Investment (BVI) Ltd. and San Miguel Pure Foods International, Limited (BVI); and President Commissioner of PT San Miguel Pure Foods

Indonesia. Mr. Alejo holds a Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School.

**Menardo R. Jimenez**, Filipino, 83, has been a Director of the Company since April 25, 2002. He is Chairman of the Company's Executive Compensation Committee (since May 12, 2006), and member of its Audit Committee (since June 27, 2008) and Nomination and Hearing Committee (since November 7, 2013). He is also a Director of listed company San Miguel Corporation and private company Magnolia Inc. He likewise holds the following positions: Chairman and President of Majent Management and Development Corporation; Chairman of United Coconut Planters Bank and Meedson Properties Corporation; President and Chief Executive Officer of Albay-Agro Industrial Development Corporation; and a Director of Mabuhay Philippines Satellite Corporation, CBTL Holdings, Inc. and Pan-Phil Aqua Culture Corporation. Mr. Jimenez 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 Management *Honoris Causa* by University of Pangasinan and *Pamantasan ng Lungsod ng Maynila*.

**Mario C. Garcia**, Filipino, 64, has been a Director of the Company since November 4, 2009. He is also a Director of San Miguel Properties, Inc.; Member of International Reporters and Editors Association, USA; and Consultant of Radio Affairs, *Pulis Ng Bayan* (PNP). He was a former TV Host of *Kapihan Ng Bayan*, NBN-4 and *Comentaryo*, NBN-4, a Radio Host/Anchorman of *Uno Por Dos*, PBS *Radyo Ng Bayan*, Interim National President of KBP Society of Broadcast Journalists; and Director of the Subic Bay Metropolitan Authority. He was previously a Director and Vice Chairman of Quezon City Red Cross, Vice President for Programming and Operations and Station Manager of Radio Veritas. Mr. Garcia holds a Bachelor's Degree in Journalism from Lyceum of the Philippines.

**Carmelo L. Santiago**, Filipino, 73, has been an Independent Director of the Company since August 12, 2010. He is the Chairman of the Company's Nomination and Hearing Committee (since May 13, 2011) and Audit Committee (since November 7, 2013), and a member of the Company's Executive Compensation Committee (since June 27, 2008). He is an Independent Director of San Miguel Brewery Inc. and listed company Liberty Telecoms Holdings, Inc.; and Director of Terbo Concept, Inc. He is also an Independent Non-Executive Director of San Miguel Brewery Hong Kong Limited. He was previously Independent Director of San Miguel Corporation, Ginebra San Miguel Inc., Anchor Insurance Brokerage Corporation and San Miguel Properties, Inc. Mr. Santiago is the founder and owner of several branches of Melo's Restaurant and the founder of Wagyu Restaurant. Mr. Santiago holds a Bachelor's Degree in Business Administration from University of the East.

**Silvestre H. Bello III**, Filipino, 71, has been an Independent Director of the Company since May 10, 2013. He was elected Representative of the Party List 1 BAP during the national elections held in May 2013. He is a Director of College Assurance Plan, Comprehensive Annuity Plan & Pension Corp., CAP Life Insurance Corp., CAP General Insurance Corp., Camp John Hay Development Corporation and CAP Realty, Inc. Atty. Bello is a Partner at Carpio & Bello Law Offices. He was previously Director of San Miguel Corporation (October 2006 to July 2009) and Red Eagle Lending Investors Corp. (2009). Atty. Bello also served as Secretary to the Cabinet, Office of the President from July 2008 to February 2010, and was Presidential Adviser for New Government Centers from July 2007 to July 2008. Mr. Bello holds a Bachelor of Arts Degree in Political Science from Manuel L. Quezon University and a Bachelor of Laws Degree from Ateneo de Manila University College of Law.

**Edgardo P. Cruz**, Filipino, 76, has been an Independent Director of the Company and a member of the Audit Committee since November 7, 2013. He is also an independent director of San Miguel Properties, Inc. 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 finished his Associate in Commercial Science at University of Santo Tomas and holds a Bachelor of Laws Degree from University of the Philippines.

***Minita V. Chico-Nazario***, Filipino, 76, has been an Independent Director of the Company and member of the Company's Executive Committee and Audit Committee since May 8, 2015. She is currently an Independent Director of listed companies Top Frontier Investment Holdings Inc. and Ginebra San Miguel, Inc., and private company San Miguel Properties, Inc. 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 PNOG 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 Arts and a Bachelor of Laws Degree from University of the Philippines and is a member of the New York State Bar.

#### Key Executive Officers

***Zenaida M. Postrado***, Filipino, 60, is the Vice President, Treasurer and Chief Finance Officer of the Company (since May 2005). She also holds the following positions: Director and Treasurer of The Purefoods-Hormel Company, Inc., San Miguel Mills, Inc., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., Sugarland Corporation, Golden Food & Dairy Creamery Corporation and RealSnacks Mfg. Corp.; Treasurer of San Miguel Foods, Inc., Magnolia Inc. and San Miguel Super Coffeemix Co., Inc.; Commissioner of PT San Miguel Pure Foods Indonesia; and Director of San Miguel Pure Foods Investment (BVI) Limited and San Miguel Pure Foods (Vn) Co., Ltd. Before joining the Company, Ms. Postrado was an auditor at SGV & Co. Ms. Postrado holds a Bachelor's Degree in Business Administration Major in Accountancy from University of the East.

***Ma. Soledad E. Olives***, Filipino, 56, is the Compliance Officer of the Company (since September 15, 2010). She is also Vice President and Corporate Planning & Management Group Services Manager of the Company; and Director of The Purefoods-Hormel Company, Inc., San Miguel Mills, Inc., Golden Avenue Corp., Golden Food & Dairy Creamery Corporation, Sugarland Corporation, RealSnacks Mfg. Corp. and San Miguel Pure Foods (Vn) Co., Ltd. She was a former Director of PT San Miguel Pure Foods Indonesia (from November 4, 2008 to November 19, 2009); and was previously Assistant Vice President and Planning, Projects & Management Group Services Manager of the Company (from May 16, 2005 to March 29, 2010). Ms. Olives holds a Bachelor's Degree in Industrial Management Engineering, minor in Chemical Engineering, from De La Salle University, and completed the Management Development Program at Asian Institute of Management.

***Alexandra Bengson Trillana***, Filipino, 42, is the Corporate Secretary of the Company (since September 15, 2010). She is also Assistant Vice President and General Counsel of the Company; and Corporate Secretary of San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia, Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Sugarland Corporation, Golden Food & Dairy Creamery Corporation, Golden Bay Grain Terminal Corporation, Golden Avenue Corp. and RealSnacks Mfg. Corp. She was previously Assistant Corporate Secretary of the Company (from April



26, 2004 to September 14, 2010); and Senior Manager – Commercial Transactions of San Miguel Corporation's Office of the General Counsel (from August 2005 to December 2009). Atty. Trillana holds a Bachelor's Degree in Commerce Major in Legal Management from De La Salle University and a Juris Doctor Degree from Ateneo de Manila University School of Law.

**Florentino C. Policarpio**, Filipino, 66, is the President and General Manager of San Miguel Mills, Inc. He is also the President of Golden Bay Grain Terminal Corporation and Golden Avenue Corp.; and Director of RealSnacks Mfg. Corp. He was previously General Manager of San Miguel Foods, Inc.'s Flour Business (2002-2005) and Group Manager of the Purchasing Department of the Company. Mr. Policarpio holds a Bachelor of Arts Degree Major in Economics and a Bachelor of Science Degree Major in Accountancy from De La Salle University.

**Rita Imelda B. Palabyab**, Filipino, 56, is the President of San Miguel Foods, Inc. and Head of the agro-industrial and franchising business of the Company, which comprises the poultry, fresh meats and feeds businesses of San Miguel Foods, Inc. She is also Director of Golden Bay Grain Terminal Corporation. She was previously General Manager of San Miguel Foods, Inc.'s Poultry Business (from April 2004 to January 2010). Ms. Palabyab holds a Bachelor's Degree in Mathematics from University of the Philippines.

**Raul B. Nazareno**, Filipino, 60, is the President of The Purefoods-Hormel Company, Inc, Magnolia, Inc., San Miguel Super Coffeemix Co., Inc., Golden Food & Dairy Creamery Corporation and Sugarland Corporation. He is also Director of PT San Miguel Pure Foods Indonesia and San Miguel Pure Foods (Vn) Co., Ltd. He was previously General Manager of The Purefoods-Hormel Company, Inc. (from May 2010 to July 2012) and the President of the Philippine operations of Burger King. Mr. Nazareno holds a Bachelor's Degree in Agribusiness Management from University of the Philippines and a Master's Degree in Business Management from Asian Institute of Management.

**Oscar R. Sañez**, Filipino, 58, is the Vice President and Sales and External Relations Head of the Company. He is Commissioner of PT San Miguel Pure Foods Indonesia, and Director of San Miguel Pure Foods International, Limited, San Miguel Pure Foods Investment (BVI) Limited and San Miguel Pure Foods (Vn) Co., Ltd. He was previously President and Chief Executive Officer of the Business Process Association of the Philippines (from February 2007 to February 2011). Mr. Sañez holds a Bachelor's Degree in Business Administration Major in Marketing Management from University of the Philippines.

**Jennifer T. Tan**, Filipino, 54, is the Vice President and Business Procurement Group Head of the Company. She was previously Vice President and Senior Procurement Manager of the Company (from April 2008 to May 2012) and Assistant Vice President and Senior Procurement Manager of the Corporate Procurement Unit attached to the Office of the President and Chief Operating Officer of San Miguel Corporation (from November 2003 to March 2008). Ms. Tan holds a Bachelor's Degree in Commerce Major in Accounting from College of the Holy Spirit.

**Rodolfo M. Abaya**, Filipino, 53, is the Vice President and Division Human Resources Manager of the Company. Mr. Abaya joined the Company on September 1, 2014. Prior thereto, he held various HR positions in Procter & Gamble Philippines from 1987 to 2007 the last of which being P&G Global Business Services Asia HR Associate Director. He was also HR Partner Leader and Project Executive, Country HR Operations of IBM Global Process Services (from 2011 to 2014) and HR Leader of Concentrix Philippines (from February to July 2014). Mr. Abaya holds a Bachelor of Arts Degree in Economics from University of the Philippines.

### Board Attendance

In 2015, the Board of Directors held six (6) meetings. The attendance of the directors in these meetings and in the 2015 annual stockholders' meeting ("ASM") is as follows:

Director	Date of Board Meeting, All in Year 2015					
	Feb. 3	Mar. 20	May 7	May 8	Aug. 6	Nov. 6
Eduardo M. Cojuangco, Jr.	Present	Present	Present	Present	Present	Present
Ramon S. Ang	Present	Present	Absent	Present	Present	Present
Francisco S. Alejo III	Present	Present	Present	Present	Present	Present
Menardo R. Jimenez	Present	Present	Present	Present	Present	Present
Mario C. Garcia	Present	Present	Present	Present	Present	Present
Carmelo L. Santiago <i>Independent Director</i>	Present	Present	Present	Present	Present	Present
Silvestre H. Bello III <i>Independent Director</i>	Present	Absent	Present	Present	Present	Absent
Edgardo P. Cruz <i>Independent Director</i>	Present	Present	Present	Present	Present	Present
Minita V. Chico-Nazario <i>Independent Director</i> (First elected May 8, 2015)	N/A	N/A	N/A	Present	Present	Present

Director	Date of Stockholder Meeting
	May 8, 2015 (Annual Stockholders' Meeting)
Eduardo M. Cojuangco, Jr. ( <i>Chairman</i> )	Present
Ramon S. Ang ( <i>Vice-Chairman</i> )	Present
Francisco S. Alejo III ( <i>President</i> )	Present
Menardo R. Jimenez	Present
Mario C. Garcia	Present
Edgardo P. Cruz ( <i>Independent Director</i> )	Present
Carmelo L. Santiago ( <i>Independent Director</i> )	Present
Silvestre H. Bello III ( <i>Independent Director</i> )	Present
Minita V. Chico-Nazario ( <i>Independent Director</i> )	Present

### Term of Office

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders meeting by stockholders entitled to vote. Each director holds office for a term of one (1) year and until

the election and qualification of their successors, unless he resigns, dies or is removed prior to such election.

The Company's Amended By-Laws provide that the annual stockholders' meeting shall be held on the second Friday of May of every year.

#### Independent Directors

The independent directors of the Company in 2015 are Mr. Carmelo L. Santiago, Mr. Silvestre H. Bello III, Justice Edgardo P. Cruz and Justice Minita V. Chico-Nazario (upon her election on May 8, 2015). All the independent directors of the Company are independent of its management and substantial shareholders.

#### Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

#### Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

#### Intermediate Parent Company

As of December 31, 2015, SMC owns and controls 142,279,267 common shares comprising 85.37% of the outstanding capital stock of the Company entitled to vote.

#### Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

**Item 10. Executive Compensation**

The aggregate compensation paid or incurred during the last two (2) fiscal years, as well as those estimated to be paid in the ensuing fiscal year, to the Company's President and senior executive officers are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the President and Senior Executive Officers <sup>2</sup>	2016 (estimated)	P 64.2 Million	P 15.0 Million	P 3.8 Million	P 83.0 Million
	2015	P 61.6 Million	P 25.6 Million	P 4.3 Million	P 91.5 Million
	2014	P 57.3 Million	P 22.9 Million	P 4.3 Million	P 84.5 Million
All other officers and directors as a group unnamed	2016 (estimated)	P172.5 Million	P 49.8 Million	P 44.5 Million	P266.8 Million
	2015	P159.3 Million	P 49.8 Million	P 42.9 Million	P252.0 Million
	2014	P153.9 Million	P 47.9 Million	P 41.1 Million	P242.9 Million
TOTAL	2016 (estimated)	P236.7 Million	P 64.8 Million	P 48.3 Million	P349.8 Million
	2015	P220.9 Million	P 75.4 Million	P 47.2 Million	P343.5 Million
	2014	P211.2 Million	P 70.8 Million	P 45.4 Million	P327.4 Million

<sup>2</sup> The President and senior executive officers of the Company are as follows: Francisco S. Alejo III, Zenaida M. Postrado, Florentino C. Policarpio, Rita Imelda B. Palabyab and Ma. Soledad E. Olives.

Article II, Section 5 of the Amended 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.

Each director receives a per diem of P10,000.00 per attendance at Board and Board Committee meetings of the Company.

The stockholders have not fixed any fee, and thus there are no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, by the Company for services rendered during the last fiscal year, and the ensuing fiscal year.

There are no employment contracts between the Company and its executive officers.

There are neither compensatory plans nor arrangements with respect to an executive officer that results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

There are no outstanding warrants or options held by the Company's President, named executive officers and all directors and officers as a group.

#### **Item 11. Security Ownership of Certain Beneficial Owners and Management**

Owners of record of more than 5% of the Company's voting<sup>3</sup> securities as at December 31, 2015 are as follows:

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent</b>

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<sup>3</sup> *The holders of common shares have the right to vote on all matters requiring stockholders' approval. The holders of preferred shares shall not be entitled to vote except in matters provided for in the Corporation Code: amendment of articles of incorporation; adoption and amendment of by-laws; sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation; investment of corporate funds in another corporation or business; and dissolution.*

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent</b>
Common	San Miguel Corporation <sup>4</sup> SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City 1550, parent company of issuer	San Miguel Corporation	Filipino	142,279,267	78.3187%
Common	PCD Nominee Corporation <sup>5</sup> 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various <sup>6</sup>	Filipino	9,797,311	13.4322%
Preferred				14,604,525	
Common	PCD Nominee Corporation <sup>7</sup> 37th Floor, Tower One, Enterprise	Various <sup>8</sup>	Non-Filipino	12,020,909	6.6529%

<sup>4</sup> *The Board of Directors of SMC authorizes any one Group A signatory or any two Group B signatories to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto, Joseph N. Pineda and Sergio G. Edeza. The Group B signatories of SMC are Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Lorenzo G. Formoso III, Virgilio S. de Guzman, Almira C. Dalusung, Ma. Raquel Paula G. Lichauco and Casiano B. Cabalan Jr.*

<sup>5</sup> *Registered owner of shares held by participants in the Philippine Central Depository, Inc., a private company organized to implement an automated book entry of handling securities in the Philippines.*

<sup>6</sup> *None of the holders of the Company's common or preferred shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's shares.*

<sup>7</sup> *Registered owner of shares held by participants in the Philippine Central Depository, Inc., a private company organized to implement an automated book entry of handling securities in the Philippines.*

<sup>8</sup> *None of the holders of the Company's common or preferred shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's shares.*

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent</b>
Preferred	Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer			65,295	

The following are the number of shares of the Company's capital stock, all of which are voting shares with the exception of the preferred shares, owned of record by the directors and key officers of the Company as of December 31, 2015:

<b>Title of Class</b>	<b>Name of Owner</b>	<b>Amount and Nature of Ownership</b>	<b>Citizenship</b>	<b>Total No. of Shares</b>
Common	Eduardo M. Cojuangco, Jr.	1 (Direct)	Filipino	1 (0.00%)
Common	Ramon S. Ang	1 (Direct)	Filipino	1 (0.00%)
Common	Francisco S. Alejo III	1 (Direct)	Filipino	53,001 (0.03%)
		43,000 (Beneficial)		
Preferred S2		10,000 (Beneficial)		
Common	Menardo R. Jimenez	1 (Direct)	Filipino	1 (0.00%)
Common	Edgardo P. Cruz	1 (Direct)	Filipino	1 (0.00%)
Common	Mario C. Garcia	1 (Direct)	Filipino	1 (0.00%)
Common	Carmelo L. Santiago	1 (Direct)	Filipino	1 (0.00%)
Common	Silvestre H. Bello III	1 (Direct)	Filipino	1 (0.00%)
Common	Minita V. Chico-Nazario	1 (Direct)	Filipino	1 (0.00%)
Preferred S2	Zenaida M. Postrado	10,000 (Beneficial)	Filipino	7,000 (0.00%)
Preferred S2	Ma. Soledad E. Olives	10,000 (Beneficial)	Filipino	3,400 (0.00%)
Preferred S2	Alexandra Bengson Trillana	1,000 (Beneficial)	Filipino	1,000 (0.00%)

The aggregate number of shares owned of record by the Chairman, President, key officers and directors as a group as of December 31, 2015 is 74,009 shares or approximately 0.0407% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of December 31, 2015 is 81,809 shares or approximately 0.0450% of the Company's outstanding capital stock.

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days, from options, warrants, conversion privileges or similar obligations or otherwise.

There is no person holding more than 5% of the Company's voting securities under a voting trust or similar agreement.

Since the beginning of the last fiscal year, there were no arrangements, which resulted in a change in control of the Company.

## **Item 12. Certain Relationships and Related Transactions**

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. The Company also 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.

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.

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. See Note 5 (Investments in Subsidiaries), Note 8 (Trade and Other Receivables), Note 12 (Investment in an Associate), Note 13 (Investment Property), Note 15 (Trademarks and Other Intangible Assets), Note 28 (Related Party Disclosures) and Note 33 (Employee Stock Purchase Plan (of the Audited Consolidated Financial Statements of the Company attached hereto as **Annex "E"**, as well as the discussion under *Transactions with and/or Dependence on related parties* in Item 1 (Business) of this report.

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the regular course of business of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company.

The Human Resources Division of the Company ensures the implementation of the Company's policy against conflict of interests and the misuse of inside and proprietary information throughout the organization. Employees are required to promptly disclose any business and family-related interest or involvement, which, by nature, may directly or indirectly conflict with the interests of the Company to ensure that such potential conflicts of interest are surfaced and brought to the attention of management for resolution.



## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

Please refer to the Consolidated 2015 Annual Corporate Governance Report (SEC Form-ACGR) of SMPFC attached hereto as **Annex “F”**. This SEC Form-ACGR, as well as updates thereto, is also posted in the Company’s corporate website [www.sanmiguelpurefoods.com](http://www.sanmiguelpurefoods.com), in compliance with SEC Memorandum Circular No. 1, Series of 2014.

## **PART V – EXHIBITS AND SCHEDULES**

### **Item 14. Exhibits and Reports on SEC Form 17-C**

#### (A) Exhibits

The 2015 Audited Consolidated Financial Statements and the Supplementary Schedules (including the reports of the external auditors on the Supplementary Schedules) are attached hereto as **Annex “E”**.

#### (B) Reports on SEC Form 17-C

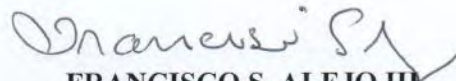
The Report on each Form 17-C filed during the last 12-month period covered by this report is attached hereto as **Annex “G”**.


## SIGNATURES

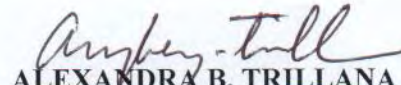
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on MAR 15 2016.


By:

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

  
**FRANCISCO S. ALEJO III**  
President

  
**ZENAIDA M. POSTRADO**  
Treasurer and Chief Finance Officer


  
**ALEXANDRA B. TRILLANA**  
Corporate Secretary

  
**MAUVIR C. BUZON**  
Comptroller

**SUBSCRIBED AND SWORN** to before me this MAR 15 2016 day of \_\_\_\_\_, 2016 affiants exhibiting to me their Passports, as follows:

<u>NAME</u>	<u>PASSPORT NO.</u>	<u>EXPIRY DATE</u>	<u>PLACE OF ISSUE</u>
Eduardo M. Cojuangco, Jr.	XX-0410612	February 15, 2017	Manila
Francisco S. Alejo III	EB-6193070	August 23, 2017	Manila
Zenaida M. Postrado	EC-0671128	March 25, 2019	Manila
Alexandra B. Trillana	EC-0224777	February 4, 2019	Manila
Mauvir C. Buzon	EB-8458523	June 21, 2018	Manila

Page No. 209 ;  
Doc. No. 43 ;  
Book No. 1x ;  
Series of 2016.

  
**MA. CELESTE J. LEGASPI**  
Notary Public for Pasig City  
Commission until 31 December 2016  
22<sup>nd</sup> Floor, JMT Corporate Condominium,  
ADB Ave., Ortigas Center, Pasig City  
APPT No. 157 (2015-2016)/Roll No. 47611  
IBP No. 1017986; 1/5/2016; RSM  
PTR No. 1429354; 1/12/2016; Pasig City

**San Miguel Pure Foods Company Inc. and Subsidiaries  
List of Products and/or Services as at December 31, 2015**

*San Miguel Foods, Inc.*

**POULTRY**

**Live Broilers**

**Dressed Chicken (Wholes)**

- Magnolia Fresh Chicken (Fresh Chilled & Frozen)
- Magnolia Spring Chicken (Fresh Chilled & Frozen)
- Magnolia Jumbo Chicken (Fresh & Frozen)
- Magnolia Free Range Chicken (Fresh & Frozen)
- Supermarket House Brands

**Cut-ups**

- Magnolia Chicken Cut-ups (Fresh Chilled & Frozen)
- Magnolia Chicken Station Cut-ups
- Magnolia Chicken Station Convenient Cuts
- Magnolia Chicken Breast & Leg Meat Yakitori
- Magnolia Chicken Smart Packs

**Marinated**

- Magnolia Chicken Station Cook Easy products (Freshly-made at the Magnolia Chicken Stations)

**Giblets**

- Magnolia Chicken Giblets (Fresh & Frozen Liver and Gizzard)

**Institutional**

- Whole Chicken
- Customized Bone-in Cut-ups and Deboned Fillets

**Export**

- Magnolia Chicken Griller (Fresh & Frozen)
- Chicken Yakitori (Frozen)
- Bone-in Chicken Cut-ups (Frozen)
- Deboned Chicken Fillets (Frozen)
- Marinated Products (Frozen)

**Brown Eggs**

- Magnolia Chicken Brown Eggs

## **FRESH MEATS**

### **Live Hogs**

### **Wholesale Cuts**

#### Pork

Hog Carcass

Boxed Primal Parts

#### Beef

Beef Forequarters

Beef Hindquarters

Boxed Primal Cuts

#### Lamb

Boxed Primal Parts

### **Retail Cuts**

Monterey Primal Cuts (Pork, Beef, Lamb)

Monterey Cut Ups (Pork, Beef, Lamb)

Individual Portion Cuts (cut and packed in the Monterey Meatshops)

Smart Packs (centrally cut and packed in the plant)

Monterey Ready-To-Cook Marinated Meats /Timplados (Pork, Beef, Lamb)

Montana Cut Ups (Pork, Beef, Lamb)

Individual Portion Cuts (cut and packed inside store)

Montana Ready-To-Cook Marinated Meats /Timplados (Pork, Beef, Lamb)

Montana Crispy Pata (Ready-to-Heat)

## **FEEDS**

### **Animal & Aquatic Feeds**

#### Hog Feeds

B-MEG Premium Hog Pellets

B-MEG Dynamix Hog Feeds

B-MEG Expert Hog Feeds

B-MEG Essential Hog Feeds

Bonanza Hog Pellets

Jumbo Hog Mash

Maton

Pureblend Hog Pellets

PBXCELLENT Hog Feeds

#### Poultry Feeds

B-MEG Premium Layer

B-MEG Essential Layer

B-MEG Expert Layer

B-MEG Layer

B-MEG Integra

B-MEG Derby Ace

B-MEG Alertone Mixed Grains

B-MEG Premium Broiler

B-MEG Essential Broiler

- B-MEG Broiler
- B-MEG Pigeon Pellets
- B-MEG Kabir
- Jumbo Pullet Developer Pellets
- Pureblend Broiler
- Pureblend Special Broiler
- Pureblend Layer

#### Duck Feeds

- B-MEG Duck Feeds
- Pureblend Duck Feeds

#### Quail & Ostrich Feeds

- B-MEG Ostrich Breeder Pellets
- B-MEG Quail
- Pureblend Quail

#### Calf and Horse Feeds

- B-MEG Horse Pellets
- B-MEG Calf Pellets

#### Aquatic Feeds

- B-MEG Super Premium Floating Feeds
- B-MEG Premium Tilapia Pellets
- B-MEG Premium Bangus Pellets
- B-MEG Aquaration
- B-MEG Expert Fish Feeds
- B-MEG Prize Catch Floating Feeds
- B-MEG Prize Catch Slow Sinking Feeds
- B-MEG Nutrifloat Floating Feeds
- B-MEG Nutrisink Feeds
- B-MEG CE-90 Shrimp Feeds
- B-MEG VN-21 Shrimp Feeds
- Pinoy Sinking Pellets
- Pinoy Floating Feeds

#### Concentrate

- B-MEG Hog Concentrate
- B-MEG Poultry Concentrate
- B-MEG Layer Concentrate
- B-MEG Pullet Concentrate
- B-MEG Cattle Concentrate
- B-MEG Goat Concentrate
- B-MEG Pig Protein Concentrate
- B-MEG Broiler Protein Concentrate
- Essential Intramix Pro Hog Gestating Concentrate
- Essential Intramix Plus Poultry Concentrate

**Animal Health Care Veterinary Medicines**

## Anti-infective - Water Soluble Preparation

Amoxil-V  
Cephalexin  
Chlortetracycline  
Cotrimoxazole 48%  
Doxa-V  
Dox-C-Lin  
Dox-C-Trin Premium  
B-MEG Integra Trimax

## Supplement/Vitamins - Water Soluble Preparation

B-MEG Integra Multimax  
B-MEG Integra Electromax  
Elec-V  
Multi-V  
Multivitamins +Minerals + Amino Acids  
Vitamin B Complex for Broiler  
Vitamin E 50%

## Anti-Inflammatory/Anti-pyretic - Water Soluble Preparation

Para-V

## Dewormer/Anti-nematodal - Water Soluble Preparation

Bulatigok SD  
Bulatigok

## Disinfectant

Protect Plus

## Injectables

Norotyl LA  
Alamycin LA  
Iron-Vet  
Norovit

## Oral Preparation

First Pulse D  
Worm-X

## Antibiotics Premixes

Tiamulin 10%

## Liquid Preparation

Vitamin ADE  
Vitamin E 60%  
Norfloxacin 20%

***San Miguel Mills, Inc.***

**Hard Wheat Flour**

King  
Emperor  
Monarch  
Pacific  
Harina de Pan de Sal

**Soft Wheat Flour**

Queen  
Countess  
Red Dragon

**Specialty Flour**

Baron All-Purpose Flour  
Baron Siopao Flour  
Princess Cake Flour  
Golden Wheat Whole Wheat Flour (Coarse & Fine)

**Customized Flour**

Royal Premium Noodle Flour  
Prince Miki Flour  
Prince Noodle Flour  
Prince Wrapper Flour

**Premixes**

Mix' n Bake  
Brownie Mix  
Chiffon Cake Mix  
Crinkle Mix  
Pan de Sal Mix

Mix' n Steam  
Puto Mix

**Mix' n Fry**

Yeast Raised Doughnut Mix

**Retail Mixes**

Magnolia Pancake Plus with Syrup (Maple, Chocolate, Strawberry)  
Magnolia Pancake & Waffle Mix  
Magnolia All Purpose Flour  
Magnolia Devil's Food Cake Mix  
Magnolia Fudge Brownie Mix  
Magnolia Fast & Easy Bake Mix (Banana Cake, Carrot Cake, Fudge Brownie)

**Bakery Ingredients**

Bake Best Bread Improver  
Bake Best Baking Powder  
Bake Best Instant Yeast

**Services**

Product Customization  
Recipe Development  
Technical Training in Flour Applications

*The Purefoods-Hormel Company, Inc.*

**REFRIGERATED MEATS****Hotdogs**

Purefoods Tender Juicy Hotdog (Classic, Cheesedog, Chick 'n Cheese, Chick 'n Bacon, Chick 'n Chili, Giant)  
Purefoods Star Hotdog (Regular, Cheezeedog, Chick n' Tasty)  
Purefoods Deli Franks (German, Angus Beef, Turkey, Cheese, Spicy Pepper Beef)  
Purefoods Deli Sausages (Bockwurst, Schublig, Hungarian Cheese)  
Purefoods Beefies Hotdog (Regular Lots-a-Cheese)  
Vida Hotdog

**Breaded, Battered & Fried**

Purefoods Chicken Nuggets (Chicken Breast Nuggets, Crazy Cut Shapes, Letters & Numbers, Bacon & Cheese, Pepperoni & Cheese, Cheese Overload, Drummets)  
Purefoods Pork Tonkatsu  
Purefoods Fish Nuggets  
Star Chicken Nuggets  
Star Burger Bites

**Bacon**

Purefoods Honeycured Bacon (Classic, Thick Cut)  
Purefoods Honey Roast Thick Cut Bacon  
Purefoods Spicy Barbecue Thick Cut Bacon  
Purefoods Maple-flavored Bacon  
Purefoods Bacon Crumble  
Hormel Black Label Bacon  
Vida Bacon

**Sliced Hams**

Purefoods Ham (Sweet, Cooked, Chicken)  
Purefoods Fiesta Ham Slices  
Star Sweet Ham  
Vida Sweet Ham

**Whole Hams**

Purefoods Fiesta Ham (Classic, Smoked Bone-in Ham, Smoked Honeycured Ham, Smoked Chicken)  
Purefoods Jamon de Bola  
Purefoods Chinese Ham  
Purefoods Brick Ham  
Purefoods Pear-Shaped Ham  
Jamon Royale



**Ready-to-Cook/Ready-to-Eat**

Monterey Sisig  
Purefoods Crispy Fried Chicken

**Native Line**

Purefoods Tocino (Classic, Sweet Chili, Honey Glazed)  
Purefoods Longanisa (Hamonado, Recado, Chicken)

**GROCERY PRODUCTS****Corned Meats**

Purefoods Corned Beef (Classic, Hash, Chili)  
Purefoods Chunkee Corned Beef  
Purefoods Star Corned Beef  
Purefoods Star Carne Norte  
Purefoods Star Corned Beef Chunky Cheese  
Purefoods Premium Lean Corned Beef

**Luncheon Meats**

Purefoods Luncheon Meat (Classic, BBQ, Chili Pepper)  
Purefoods Chinese Luncheon Meat  
Purefoods Beef Loaf  
Purefoods Chicken Luncheon Meat  
Purefoods Star Meat Loaf

**Sausages**

Purefoods Vienna Sausage  
Purefoods Vienna Tidbits  
Purefoods Chicken Vienna Sausage

**Canned Viands**

Purefoods Sizzling Delights (Sisig, Chicken Sisig, Bopis)  
Ulam King (Asado, Caldereta, Lechon Paksiw, Menudo, Mechado)

**Canned Chicken**

Purefoods Sexy Chix (Arrabiata, Adobo, Guiltless Broth, Hainanese Style)

**Specialty Grocery Products**

Purefoods Liver Spread  
Purefoods Spaghetti Meat Sauce  
Purefoods Meaty Spaghetti Sauce  
Purefoods Chorizo Filipino

*Magnolia, Inc.*

## **BUTTER, MARGARINE & CHEESE**

### **Butter**

Magnolia Gold (Salted, Unsalted) and Magnolia Gold Lite  
Magnolia Butter-licious! (Classic, Garlic)

### **Refrigerated Margarine**

Dari Crème (Classic, Buttermilk, Herb and Garlic, Bacon) and Dari Crème Lite  
Buttercup  
Baker's Best

### **Non-Refrigerated Margarine**

Star Margarine (Classic, Sweet Blend, Garlic, Vanilla, Chocolate, Caramel)  
Delicious Margarine  
Magnolia Non-Refrigerated Margarine (Food Service)

### **Cheese**

Magnolia Cheezee (Block, Spread, Squeeze - Cheddar, Pimiento)  
Daily Quezo  
Magnolia Quickmelt  
Magnolia Cheddar  
Magnolia Cream Cheese (Block, Spread - Classic, Bacon)  
Magnolia Christmas Cheeseballs (Quezo de Bola, Gold Edam) - Seasonal  
Magnolia Cheese Sauce (Food Service)  
Magnolia Cheesefood (Food Service)

## **JELLY SNACKS AND DESSERTS**

JellYace Fruiteez  
JellYace Bites  
JellYace Snackers (Regular, Twin Pack)  
JellYace Suki Pack/ Gara Jar/ Buhos Pack/ Pene Pack  
Magnolia Best Fruits Jam (Strawberry, Pineapple, Apple Cinnamon, Mango)  
Magnolia Jelly Sip (Strawberry, Apple, Orange, Grape and Mango)

## **MILK**

Magnolia Chocolait  
Magnolia Chocolait Choco Magic (Mocha, Strawberry, Rocky Road, Cookies & Cream)  
Magnolia Purefresh Natural Cow's Milk  
Magnolia Purefresh Low Fat Cow's Milk  
Magnolia Full Cream Milk

## **SPECIALTY OILS**

Magnolia Nutri-Oil Coconut Oil  
Magnolia Nutri-Oil Palm Oil  
Magnolia Pure Oil  
Primex Shortening (Food Service)

## **ALL-PURPOSE CREAM**

Magnolia All-Purpose Cream

## **SALAD AIDS**

Magnolia Real Mayonnaise  
Magnolia Herb and Garlic Dip N' Dressing  
Magnolia Sandwich Spread  
Magnolia All-Purpose Dressing

## **ICE CREAM**

### **Bulk Ice Cream**

Magnolia Classic (Vanilla, Chocolate, Mocca, Strawberry, Ube, Mango)  
Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N' Cream, Creamy Halo-Halo Delight, Ube Macapuno Swirl, Choco Chip Cookie Dough, Buttery Sweet Corn)  
Magnolia Best of the Phillippines (Ube Keso, Macapuno Langka, Coffee Crumble, Mangoes and Cream, Caramel Cashew Tart, Kesong Puti, Sili Con Tsokolate Eh!, Strawberry Red Velvet Otap, Mango and Mangosteen, Cashew Sansrival)  
Magnolia Sorbetes (Tsokolate, Keso)  
Magnolia No Sugar Added (Vanilla, Chocolate)  
Magnolia Yogurt Ice Cream (Mango, Strawberry)

### **Frozen Novelties**

Magnolia Spinner (Chocolate, Vanilla, Caramel, Hazelnut)  
Magnolia Cookie Monster (Chocolate, Choco Hazelnut, Caramel)  
Magnolia Party Cups (Vanilla, Chocolate)  
Magnolia Popsies (Orange Chill, Choco Cool)  
Magnolia Pinipig Crunch (Vanilla Crisp, Sweet Corn)  
Magnolia K-Pop (Banana, Honeydew, Strawberry, Mango)  
Magnolia Yogurt Stick Ice Cream (Strawberry, Mango)  
Magnolia Creations Stick Ice Cream (Macapuno Langka, Coffee Crumble, Pinipig Pandan, Kesong Puti)

### **San Miguel Gold Label (For Export)**

SMGL Mellorine  
SMGL Frozen Dessert  
SMGL Ice Confectionery

## **BISCUITS (La Pacita)**

### **Traditional**

Prima Toast  
Egg Cracklet  
Mamon Tostado  
Broas  
Puto Seko  
Camachile  
Galletas de Huevos  
Ligaya

**Cookies**

Pasencia  
Pasencia White  
Butter Cookies  
Raisin Cookies  
Choco Chika

**Crackers**

Graham Crackers  
Supreme Flakes  
Club Crackers  
Snax Crackers

**Assorted**

Holiday Mix  
Famous Five

**POWDER MIXES**

Wandah! All-Around Mix (All Purpose Cream, Cheese, Gravy, Ketchup, Mayonnaise)

***San Miguel Super Coffeemix Co., Inc.*****COFFEE**

San Mig Super Coffee Regular 3-in-1 Coffeemix - Original  
San Mig Super Coffee Sugar Free 3-in-1 Coffeemix - Mild, Original & Strong  
San Mig Super Coffee Super Packs - White  
San Mig Fastbreak  
San Mig Coffee 100% Premium Instant Black Coffee (Food Service)  
Coffee and Me (Food Service)

***San Miguel Foods, Inc. - Great Food Solutions*****Value-Added Meats**

Pizza Toppings  
Slices  
Specialties (Sauces & Ready-to-Serve Viands)  
Hotdogs and Deli

**Dairy, Fats and Oils**

Butter, Margarine and Cheese  
Coconut & Palm Oil

**Flour and Dry Bakery Ingredients**

Basic Flour and Premixes

**Ice Cream, Coffee and Milk**

**Traded Products****Dairy**

Mozzarella  
Sliced-on-Slice Cheese  
Parmesan

**Stocks and Sauces****Chocolates****Canned Vegetables**

Mushrooms and Tomatoes

**Ibero Olive, Promace, Pure and EVOO Oil****Non Food Items**

Food Cling Wraps  
Aluminum Foil  
Baking Papers

**GFS Commissary Products**

Dairy  
Breaded, Battered and Fried  
Patties  
Marinated Value-Added Meats  
Ready-to-Eat Meals

***San Miguel Foods, Inc. - Franchising*****Hungry Juan**

Roasts (Sweet Garlic, Inasal - Chicken & Liempo)  
Juanito's Pritos (24 pcs cut fried chicken)  
Single Serve (Pork BBQ Skewered, Chicken Isaw, Sisig)  
Rice Meals (Roast Chicken, Roast Liempo, BBQ Belly, Sisig, Bangus Belly, Pork BBQ Skewered, Juanitos Pritos)  
Quick Meals (Tapa, Beef Caldereta, , Adobo Flakes)  
Family Feast  
Barkada Blow-out

**San Mig Food Ave.**

Ready-to-Eat Products  
Grocery Products

***P.T. San Miguel Pure Foods Indonesia*****Bakso (Meat Balls)**

Farmhouse (Beef)  
Vida (Beef)  
Vida Saving (Beef)

**Sausages**

Farmhouse (Beef, Chicken, Beef Cocktail, Beef Frankfurter, Beef Wiener, Fried Beef, Fried Chicken, Jumbo Fried Beef, Cheese, Beef Frankfurter, Beef Wiener, Bratwurst)  
FunKidz Chubbies (Cheese)  
Purefoods Choice (Chicken, Beef Wiener, Chicken Pepper)  
Vida (Chicken, Beef, Frank, Wiener, Fried Sosis, Fried Sosis Goreng)  
Vida Saving (Beef, Chicken)

**Retort Sausage**

Vida (Cociz, Basis (Chicken, Ready-to-Eat))  
Farmhouse (Ready to Eat: Bakso Sapi Instan Original, Rasa Bakso Jumbo, Sapi BBQ Jumbo, Big Sosis Rasa Sapi Panggang, Sosis Corn Jumbo, Sosis Sapi Goreng)

**Cold Cuts**

Farmhouse (Beef, Chicken)  
Purefoods Choice (Sliced Chicken Chunk, Chicken Chunk, Minced Beef, Minced Chicken Teriyaki, Meat Block Papz, Smoked Beef)

**Luncheon Burger**

Farmhouse (Chicken, Beef, Cheese Burger)  
Purefoods Choice (Beef Burger, Bakery Burger)  
Vida (Beef Burger, Burger Mini)  
Vida Saving (Beef)

**Value Added**

Patties (Chicken, Beef)

**Services**

Customization

*San Miguel Pure Foods Vietnam (VN) Co., Ltd.*

**Value-Added Meats**

Le Gourmet (Bacon, Ham, Beef, Pate, Sausage, Traditional, Meatball)

## Annex “B”

**San Miguel Pure Foods Company Inc. and Subsidiaries**  
**List of Collective Bargaining Agreements (CBA) and Number of Employees**  
**As at December 31, 2015**

Level	Union	Expiration of CBA (Economic)	Headcount
Rank and File	<i><b>SMFI</b></i>		
	<b>MPEU - PTGWO</b>	<b>December 31, 2016</b>	<b>39</b>
	<b>SMFIEU - PTGWO</b>	<b>December 31, 2016</b>	<b>127</b>
	<i><b>SMMI</b></i>		
	<b>PFMEU</b>	<b>December 31, 2016</b>	<b>29</b>
	<i><b>MAGNOLIA</b></i>		
	<b>PWU IBM 47 - Cavite</b>	<b>February 28, 2017</b>	<b>100</b>
	<i><b>PTSMPI</b></i>		
	<b>Federasi Serikat Pekerja Seluruh Indonesia, sector Rokok, Tembakau, Makanan &amp; Minuman (FSPSI RTMM)</b>	<b>December 31, 2016</b>	<b>108</b>
	<i><b>SMPFVN</b></i>		
	<b>Trade Union Foundation of SMPFVN</b>	<b>December 31, 2016</b>	<b>124</b>
	<b>Non-Unionized/Exempt</b>		<b>2,266</b>
	<i><b>Total Rank &amp; File</b></i>		<b>2,793</b>
Supervisors			<b>273</b>
Managers			<b>255</b>
Executives			<b>50</b>
<b>TOTAL</b>			<b>3,371</b>

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**LIST OF PROPERTIES**  
For the Year 2015

**ANNEX "C"**

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
<b>Admin Office</b>						
Pasig Office - San Miguel Pure Foods Company Inc.	17F, 18F, 21F, 22F, 23F JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
Iloilo Office - Agro Industrial Cluster	Milleza St., Iloilo City	Owned	Good			
General Santos Office - Agro Industrial Cluster	Putingbato, Calumpang, General Santos City	Owned	Good			
<b>Admin Office and Feedmill/Processing Plant/Product Development Laboratory/Warehouse</b>						
Bataan Office and Feedmill - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan	Owned	Good			
Depok Office and Processing Plant - PT San Miguel Purefoods Indonesia	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Depok, Indonesia	Owned	Good			
Pasig Office and Product Development Laboratory - SMFI-Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Owned	Good			
Tarlac Office, Feedmill and Warehouse Feeds	Luisita Industrial Park, San Miguel, Tarlac City	Owned	Good			
<b>Farm/Hatchery</b>						
Isabela Cattle Farm - Monterey Meats	3305 San Luis, Cauayan, Isabela	Owned	Good			
South Cotabato Cattle Farm - Monterey Meats	Bo. Matin-ao, Polomolok, South Cotabato	Owned	Good			
Bataan Farm - Poultry	Brgy. General Lim, Orion, Bataan	Owned	Good			
Bulacan Hog Farm - Monterey Meats	Brgy. Magmarale, San Miguel, Bulacan	Owned	Good			
Bukidnon Hog Farm - Monterey Meats	San Vicente, Sumilao, Bukidnon	Owned	Good			
Calamba Hatchery - Poultry	Brgy. Licheria, Calamba City	Owned	Good			
Bukidnon Hatchery - Poultry	Kapitan Bayong, Impasug-ong, Bukidnon	Owned	Good			
<b>Flourmill/Feedmill</b>						
Bulacan Feedmill - Feeds	Brgy., Magmarale, San Miguel, Bulacan	Owned	Good			
Pangasinan Feedmill - Feeds	Brgy. Bued, Binalonan, Pangasinan	Owned	Good			
Bukidnon Feedmill - Feeds	Impalutao, Impasug-ong, Bukidnon	Owned	Good			
Isabela Feedmill and Post Harvest Facility - Feeds	Bo. Soyung, Echague, Isabela	Owned	Good			
Mabini Flourmill - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas	Owned	Good			
Tabangao Flourmill - San Miguel Mills, Inc.	Brgy. Tabangao, Batangas City	Owned	Good			
<b>Grain Terminal</b>						
Mabini Bulk Grain Handling Terminal (Golden Bay) - San Miguel Mills, Inc. (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Owned	Good			
<b>Land</b>						
Mabini Land - San Miguel Pure Foods Company Inc.	Brgy. Bulacan, Mabini, Batangas	Owned	Good			
Pasig Land - San Miguel Mills, Inc. (GAC)	San Miguel Ave., Corner Tektite Road, Pasig City	Owned	Good			
<b>Processing Plant</b>						
Laguna Ice Cream Plant - Magnolia (GFDCC)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
Cavite Meat Plant - Monterey Meats	Governor's Drive Bo. Langkaan 1, Dasmariñas Cavite	Owned	Good			
Cavite Meat Plant - Purefoods Hormel Company, Inc.	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
Cavite Magnolia Plant - Magnolia, Inc.	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
Binh Duong Processing Plant - San Miguel Purefoods (VN) Co., Ltd.	An Tay, Ben Cat, Binh Duong, Vietnam	Owned	Good			
Davao Poultry Processing Plant - Poultry	Brgy. Sirawan, Toril Davao City	Owned	Good			



Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
<b>Processing Plant and Cold Storage</b>						
Cebu Poultry Processing Plant and Cold Storage - Poultry	Riverside, Canduman, Mandaue City	Owned	Good			
<b>Warehouse</b>						
General Santos Warehouse - Feeds	San Miguel Purefoods Compound, Rivera St., Calumpang, General Santos City	Owned	Good			
Quezon City Warehouse - Purefoods Hormel Company, Inc.	Regalado Ave., Fairview, Quezon City	Owned	Good			
<b>Others (Drying Plant/R&amp;D Laboratory/Vetmed Office)</b>						
Bulacan Vetmed Office - Monterey Meats	Brgy. Guyong, Sta. Maria, Bulacan	Owned	Good			
Laguna Research and Development Laboratory - Agro Industrial Cluster	Brgy. Mabacan, Calauan, Laguna	Owned	Good			
Pampanga Drying Plant - Feeds	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			

Note: All owned properties are free of liens and encumbrances

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
<b>Admin Office</b>						
Pasig Office - Shared Services Center	10th floor, Raffles Corporate Centre, Don F. Ortigas Jr. Rd., Ortigas Center, San Antonio, Pasig City	Rented	Good	541,996.32 (Jan to Sept) 569,096.14 (Oct to Dec)	9-Oct-2016	Contract may be renewed for another period of 5 years, under such terms and conditions as may be agreed upon by the parties
Pasig Office - San Miguel Foods, Inc. - Corporate	20F JMT Corp. Cond. ADB Avenue, Ortigas Center, Pasig City	Rented	Good	330,732.89	31-Dec-2018	Renewable by written agreement of the parties under such terms and conditions mutually acceptable to them
Pampanga Office - San Miguel Integrated Sales	2nd F Rickshaw Arcade, Greenfield Square, Km.76, MacArthur Highway, Sindalan, San Fernando City, Pampanga	Rented	Good	28,675.13	Continuing unless terminated and agreed by both parties	Mutually agreed upon between the parties
Cebu Office - San Miguel Integrated Sales	2nd Floor Planters Bldg., West Office, SMC Shipping & Lighterage Comp, Ouano Wharf, Mandaue City	Rented	Good	43,709.08	Continuing unless terminated and agreed by both parties	Mutually agreed upon between the parties
Negros Oriental Office - Agro Industrial Cluster	2nd Floor THS Bldg., Real St., Dumaguete City, Negros Oriental	Rented	Good	11,353.57	31-Aug-2018	Renewable every 3 years
Pasig Office - San Miguel Foods, Inc. - Corporate	6F JMT Corp. Cond. ADB Avenue, Ortigas Center, Pasig City	Rented	Good	384,081.96	31-Mar-2020	Subject to renewal upon agreement of the parties
Ho Chi Minh Office - San Miguel Purefoods (VN) Co., Ltd.	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City	Rented	Good	VND 51,108,000.00 (Jan) VND 153,864,000.00 (Feb to Apr) VND 156,600,000.00 (May to Jul) VND 107,590,909.00 (Aug to Oct) VND 71,722,800.00 (Nov and Dec)	31-Jul-2020	Renewable every 5 years
Batangas Office - Poultry	Bo San Roque, Sto Tomas, Batangas	Rented	Good	7,000.00	31-Oct-2017	Renewable every 3 years
Bacolod Office - Feeds	Brgy. Banago, Bacolod City	Rented	Good	42,842.80	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Laguna Office - Poultry	Denson Whse, Brgy. Halang, Calamba City	Rented	Good	68,024.95	1-Aug-2016	Renewable
Zamboanga Office - Poultry	Don Alfonso Marquez Subd., MCLL Highway Tetuan Zamboanga City	Rented	Good	28,000.00	31-Dec-2015	Renewable every year
Cagayan de Oro Office - San Miguel Integrated Sales	Door #5 Banyan Place, Alwana Business Park, Cugman, Cagayan de Oro City	Rented	Good	29,282.00 (Jan to Sept) 32,210.20 (Oct to Dec)	13-Oct-2016	Mutually be agreed upon between the parties
Zamboanga Office - Agro Industrial Cluster	Door 2, Nuño Bldg., Guiwan Highway, Zamboanga City	Rented	Good	12,979.88	Continuing unless terminated and agreed by both parties	Renewable every year

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Bohol Office - Agro Industrial Cluster	Eastern Poblacion, Albuquerque, Bohol	Rented	Good	6,428.57	Continuing unless terminated and agreed by both parties	Renewable every year
	Bali Office - PT San Miguel Purefoods Indonesia	Jl.Baypass Ngurah Rai Gang Wijaya No.4 Bali	Rented	Good	IDR 958,000.00	19-Oct-2016	Renewable upon consent of both parties
	Medan Office - PT San Miguel Purefoods Indonesia	Jl.Kenanga Raya No.34D Kel.Tanjung Sari Kec.Medan Selayang	Rented	Good	IDR 1,333,000.00	17-Jun-2016	Renewable upon consent of both parties
	Surabaya Office - PT San Miguel Purefoods Indonesia	Perumahan Citra Harmoni Block C4 No. 15 Sidodadi Taman Sidoarjo Jawa Timur	Rented	Good	IDR 2,833,000.00	30-Apr-2016	Renewable upon consent of both parties
	Dumaguete Office - Poultry	Real street, Dumaguete City	Rented	Good	11,353.57	31-Aug-2018	Renewable every 3 years
	Bacolod Office - San Miguel Integrated Sales	William Lines Warehouse, Magsaysay, Araneta St., Singcang, Bacolod City	Rented	Good	18,000.00	31-Dec-2015	Mutually agreed upon between the parties
	Iloilo Office - San Miguel Integrated Sales	YK Marine Bldg., Iloilo Fishing Port Complex, Brgy. Tanza, Bay-bay, Iloilo City	Rented	Good	18,665.52	Continuing unless terminated and agreed by both parties	Renewable every year
	Davao Office - Agro Industrial Cluster, Poultry, San Miguel Integrated Sales	2nd Flr ARC Building, Corner Lakandula-Dacudao Sts., Agdao Davao City	Rented	Good	219,108.94	Continuing unless terminated and agreed by both parties (AIC, SMIS) 31-Dec-2015 (Poultry)	Renewable every year (AIC) Not for renewal in 2016 (Poultry) Mutually be agreed upon between the parties (SMIS)
	Laguna Office - Agro Industrial Cluster, Poultry	3rd and 4th floors, Dencris Bldg, Halang, Calamba City of Laguna	Rented	Good	764,604.04	31-May-2016 (AIC) 1-May-2016 (Poultry-Live Operations) 1-Mar-2017 (Poultry-Logistics)	Renewable every year (AIC) Renewable (Poultry)
	Davao Office - Poultry, San Miguel Integrated Sales	3rd Floor Alpha Bldg., Lanang Business Park, Lanang, Davao City	Rented	Good	61,084.65	31-Aug-2020	Renewable every 5 years (Poultry) Mutually be agreed upon between the parties (SMIS)
	Cagayan de Oro Office - Agro Industrial Cluster, Poultry	3rd Floor HBL Bldg. Gusa National Highway, Cagayan de Oro City	Rented	Good	249,393.84	Continuing unless terminated and agreed by both parties (AIC) 30-Jun-2017 (Poultry)	Renewable every 3 years
	Cebu Office - Agro Industrial Cluster, Poultry, Great Food Solutions, San Miguel Integrated Sales	6th and 7th Flr., Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	356,795.46	30-Sep-2016 (AIC) 31-Jul-2017 (Poultry) 30-Jun-2017 (GFS) 30-Jun-2017 (SMIS)	Renewable every 2 years (AIC, Poultry) Mutually agreed upon between the parties (GFS, SMIS)
	Bacolod Office - Agro Industrial Cluster, Poultry	Door 3&4 VCY Center, Hilado Ext. Capitol Shopping, Bacolod City	Rented	Good	90,602.68	15-Jul-2018	Renewable every year (AIC) Renewable every 3 years (Poultry)
	Bukidnon Office - Agro Industrial Cluster, Poultry	Gellor Bldg, Propia St. , Malaybalay	Rented	Good	154,026.00	Continuing unless terminated and agreed by both parties (AIC) 31-Dec-2018 (Poultry)	Renewable every year (AIC) Renewable every 2 years (Poultry)
	Pampanga Office - Agro Industrial Cluster, Poultry	RRK Bldg., Jose Abad Santos Ave., Dolores, City of San Fernando, Pampanga	Rented	Good	282,000.00	Continuing unless terminated and agreed by both parties (AIC) 31-Dec-2015 (Poultry)	Renewable every year (AIC) Not for renewal in 2016 (Poultry)
<b><u>Admin Office and Blast Freezing Facility/Cold Storage/Holding Room/Laboratory/Processing Plant/Warehouse</u></b>							
	Bandung Office and Cold Storage - PT San Miguel Purefoods Indonesia	3rd Flr Jl. Soekarno Hatta No. 606, Bandung	Rented	Good	IDR 4,200,000.00 (OFC) IDR 2,500,000.00 (CS)	1-Jan-2016	Renewable upon consent of both parties
	Valenzuela Office and Cold Storage - Poultry	No. 1787 East Service Rd. Lawang Bato, NLEX Valenzuela City	Rented	Good	25,714.29 (OFC) 2,406,661.19 (CS)	30-Jun-2017	Renewable every 3 years
	Zambales Office and Holding Room - Poultry	Mangan-Vaca, Subic, Zambales	Rented	Good	4,464.29 (OFC) 80,600.00 (HR)	31-Dec-2015	Not for renewal in 2016
	Yogyakarta Office and Warehouse - PT San Miguel Purefoods Indonesia	Jln.Cangkringan Km.5 Purwomartani Kalasan Jogjakarta	Rented	Good	IDR 16,000,000.00 (OFC) IDR 16,000,000.00 (WH)	23-Mar-2016	Renewable upon consent of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Palembang Office and Warehouse - PT San Miguel Purefoods Indonesia	Komplek Gedung BLK (Balai Latihan Kerja) Jl.Residen Amaludin Sako Kenten Kelurahan Sukamaju, Palembang	Rented	Good	IDR 4,500,000.00 (OFC) IDR 4,500,000.00 (WH)	31-Jan-2016	Renewable upon consent of both parties
	Makassar Office and Warehouse - PT San Miguel Purefoods Indonesia	Prima Coldstorage, Jl.Kima 10 T3/C3 Kawasan Industri Makassar	Rented	Good	IDR 2,256,000.00 (OFC) IDR 2,256,000.00 (WH)	17-Nov-2016	Renewable upon consent of both parties
	Pangasinan Office, Cold Storage and Laboratory - Poultry	GTL Compound, San Vicente, San Jacinto, Pangasinan, 2431	Rented	Good	22,321.43 (OFC) 1,195,537.27 (CS) 26,321.56 (LAB)	31-Dec-2015 (OFC) 30-Sep-2017 (CS & LAB)	Renewable
	Ormoc Office and Blast Freezing Facility - Poultry, Agro Industrial Cluster	Doors 1 and 4, 2nd Flr., Tan Bldg., Lilia Avenue, Cogon, Ormoc City	Rented	Good	19,230.00 (AIC, Poultry OFC) 3,013.89 (Poultry BFF)	1-Jan-2018 (Poultry OFC, BFF) 31-Dec-2018 (AIC OFC)	Renewable every 3 years
	Camarines Sur Office and Processing Plant - Agro Industrial Cluster, Poultry	Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur	Rented	Good	91,000.00 (OFC) 634,082.28 (PP)	Continuing unless terminated and agreed by both parties (AIC, Poultry OFC) 31-Dec-2018 (Poultry PP)	Renewable every year (AIC OFC) Renewable annually (Poultry OFC) Renewable every 5 years (Poultry PP)
	Butuan Office, Dressing Plant and Cold Storage - Agro Industrial Cluster, Poultry	Km 9 Tag-ibo Butu-an City	Rented	Good	12,492.86 (AIC, Poultry OFC) 84,292.22 (PP) 247,477.12 (CS)	Continuing unless terminated and agreed by both parties (AIC OFC) 31-Mar-2018 (Poultry OFC) 31-Dec-2016 (Poultry PP & CS)	Renewable every year (AIC OFC) Renewable every 3 years (Poultry OFC, PP, CS)
	Misamis Occidental Office, Dressing Plant and Cold Storage Agro Industrial Cluster, Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	21,440.00 (AIC, Poultry OFC) 93,937.78 (Poultry PP) 204,021.78 (Poultry CS)	Continuing unless terminated and agreed by both parties (AIC OFC) 31-Dec-2015 (Poultry OFC) 31-Dec-2017 (Poultry PP) 31-Dec-2016 (Poultry CS)	Renewable every year (AIC OFC) Renewable every 3 years (Poultry OFC, PP, CS)
<b>Cold Storage</b>							
	Pampanga Cold Storage - Monterey Meats	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	2,630,699.68	31-Dec-2018	Renewable upon mutual agreement of both parties
	Iloilo Cold Storage - Poultry	Barangay Tungay, Sta. Barbara, Iloilo City	Rented	Good	776,826.62	31-Dec-2017	Renewable every 3 years
	Negros Oriental Cold Storage - Monterey Meats	Bolocboloc Sibulan Negros Oriental	Rented	Good	10,000.00	1-Jun-2018	Contract is renewable with mutual agreement
	Leyte Cold Storage - Poultry	Brgy. Antipolo, Albuera, Leyte	Rented	Good	249,325.89	31-Aug-2020	Renewable every 5 years
	Davao Cold Storage - Poultry	Daliao, Toril Davao City	Rented	Good	291,373.30	28-Feb-2016	Renewable every 3 years
	Pampanga Cold Storage - Monterey Meats	Gloria I, Sindalan, San Fernando, Pampanga	Rented	Good	921,595.45	15-Sep-2018	Renewable
	Cebu Cold Storage - Monterey Meats	Hernan Cortes St., Tipolo, Mandaue City	Rented	Good	172,940.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Surabaya Cold Storage - PT San Miguel Purefoods Indonesia	Jl. Beringin Bendo Kawasan Industri Ragam II Kav. 8 RT 06/08 Taman Sepayang, Surabaya	Rented	Good	IDR 27,500,000.00	24-Dec-2016	Renewable upon consent of both parties
	Medan Cold Storage - PT San Miguel Purefoods Indonesia	Jl.KL.Yos Sudarso Km.8,8 No.88 Kelurahan Mabar Kecamatan Medan Deli Medan	Rented	Good	IDR 16,082,000.00	Continuing unless terminated and agreed by both parties	Renewable upon consent of both parties
	Navotas Cold Storage - Poultry	Lapu-Lapu Ave. and C3 Road cor. Northbay Blvd., Navotas City	Rented	Good	1,372,334.16	30-Sep-2017	Renewable every 3 years
	Bali Cold Storage - PT San Miguel Purefoods Indonesia	Oke Transport, Jl.Raya Pemogan No.222 Denpasar Bali	Rented	Good	IDR 5,914,000.00	Continuing unless terminated and agreed by both parties	Renewable upon consent of both parties
	Mandaue Cold Storage - Poultry	PC Suico St., Tabok, Mandaue City	Rented	Good	139,283.17	31-Dec-2016	Renewable every 2 years

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
Palawan Cold Storage - Poultry	Puerto Princesa, Palawan	Rented	Good	65,000.00	1-Jan-2018	Renewable every 3 years
Batangas Cold Storage - Poultry	San Roque, Sto Tomas, Batangas	Rented	Good	288,035.71	31-Jul-2016	Renewable every 3 years
Negros Occidental Cold Storage - Poultry	Singko de Noviembre St., Silay City, Negros Occidental	Rented	Good	349,577.55	31-Dec-2016	Renewable every 3 years
Rizal Cold Storage - Poultry	Sumulong Highway, Brgy. Mambugan, Antipolo, Riza	Rented	Good	2,482,761.36	30-Jun-2017	Renewable every 3 years
El Salvador, Misamis Oriental Cold Storage - Monterey Meats	Upper Linabo, Barangay Cogon, El Salvador City, Misamis Oriental	Rented	Good	421,575.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Cavite Cold Storage - Magnolia, Inc., Monterey Meats, Poultry	Anabu Hills Industrial Estate, Anabu 1-c, Imus Cavite	Rented	Good	5,503,084.54	Continuing unless terminated and agreed by both parties (Magnolia) 31-Mar-2016 (Meats, Poultry)	Renewable every year (Magnolia) Renewable by mutual agreement of the parties under such terms & conditions as they may agreed upon (Meats) Renewable every 3 years (Poultry)
Camarines Sur Cold Storage - Monterey Meats, Poultry	Brgy. Caroyroyan, Pili, Camarines Sur	Rented	Good	272,189.62	Continuing unless terminated and agreed by both parties (Meats) 30-Sep-2017 (Poultry)	Renewable upon mutual agreement of both parties (Meats) Renewable every 2 years (Poultry)
Iloilo Cold Storage - Monterey Meats, Poultry	Brgy. Sambag Jaro Iloilo City	Rented	Good	1,151,303.41	31-Dec-2015 (Meats) 31-May-2018 (Poultry)	Renewable by mutual agreement of the parties under such terms & conditions as they may agreed upon (Meats) Renewable every 3 years (Poultry)
Cebu Cold Storage - Monterey Meats, Poultry	F.E. Zuellig Ave., North Reclamation Area, Mandaue City	Rented	Good	165,412.74	31-Jul-2018	Renewable upon mutual agreement of both parties (Meats) Renewable every 3 years (Poultry)
Tagoloan, Misamis Oriental Cold Storage - Monterey Meats, Poultry	Phividec Industrial Estate, Sugbongcogon, Tagoloan, Misamis Oriental	Rented	Good	183,854.11	28-Feb-2016	Renewable by mutual agreement of the parties under such terms and conditions as they may agreed upon (Meats) Renewable every 3 years (Poultry)
Davao Cold Storage - Monterey Meats, Poultry	Purok 15, Panungtungan, Tibungco, Davao City	Rented	Good	194,219.99	Continuing unless terminated and agreed by both parties (Meats) 31-May-2018 (Poultry)	Renewable upon mutual agreement of both parties (Meats) Renewable every 3 years (Poultry)
Toril, Davao Cold Storage - Monterey Meats, Poultry	Sitio Lower Bunugao, Brgy. Bungao, Toril, Davao City	Rented	Good	99,217.69	30-Sep-2016 (AIC) 28-Feb-2016 (Poultry)	Renewable by mutual agreement (AIC) Renewable every 3 years (Poultry)
<b>Cold Storage and Blast Freezing Facility/Holding Room/Laboratory/Warehouse</b>						
Cebu Cold Storage and Blast Freezing Facility - Poultry	Brgy. Pangdan, Naga City, Cebu	Rented	Good	1,290,315.98 (CS) 73,714.29 (BFF)	31-Dec-2016	Renewable every 1.5 years
Bulacan Cold Storage and Holding Room - Poultry	#95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	54,391.58 (CS) 46,742.25 (HR)	31-May-2016	Renewable every 3 years
Bulacan Cold Storage and Holding Room - Poultry	111 Pulong Gubat, Balagtas Bulacan	Rented	Good	135,342.00 (CS) 107,222.00 (HR)	31-Dec-2016	Renewable every 2 years
Pampanga Cold Storage and Holding Room - Poultry	Brgy. San Isidro, San Simon, Pampanga	Rented	Good	478,357.00 (CS) 262,782.00 (HR)	7-Jul-2019	Renewable every 5 years
La Union Cold Storage and Laboratory - Poultry	Brgy. Rabon, Rosario, La Union 2506 and Brgy. Mabilao, San Fabian, Pangasinan 2433	Rented	Good	1,025,434.19 (CS) 23,091.35 (LAB)	30-Sep-2017 (CS) 31-Dec-2018 (LAB)	Renewable
Bulacan Cold Storage, Holding Room and Laboratory - Monterey Meats, Poultry	Brgy. Caysio, Sta. Maria, Bulacan	Rented	Good	775,210.94 (Meats, Poultry CS) 308,644.83 (Poultry HR) 16,408.01 (Poultry LAB)	31-Jul-2016 (Meats, Poultry CS & Poultry HR) 19-Apr-2018 (Poultry LAB)	Renewal of the contract shall commence 6 months before the expiry date (Meats CS) Renewable every 5 years (Poultry CS) Renewable every 3 years (Poultry HR & LAB)
<b>Feedmill</b>						

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Cagayan de Oro Feedmill - Feeds	MITIMCO Cmpd., Baloy, Cagayan De Oro City	Rented	Good	777,515.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
<b>Foreshore</b>							
	Bulk Grain Handling Terminal (Golden Bay) Foreshore - San Miguel Mills, Inc. (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	13,965.50	30-Jun-2025	Lease may be renewed for another 25 years at the option of the Party of the First Part (DENR)
	Mabini Foreshore - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas	Rented	Good	2,412.16	Continuing unless terminated and agreed by both parties	Lease may be renewed for another 25 years at the option of the Party of the First Part (DENR)
	Tabangao Foreshore - San Miguel Mills, Inc.	Brgy. Tabangao, Batangas City	Rented	Good	14,166.67	22-Aug-2024	Lease may be renewed for another 25 years at the option of the Party of the First Part (DENR)
<b>Holding Room/Laboratory</b>							
	Tarlac Holding Room and Laboratory - Poultry	Brgy. San Nicolas Balas, Concepcion, Tarlac 2316	Rented	Good	1,988,736.51 (HR) 35,791.67 (LAB)	15-Sep-2018	Renewable every 5 years
	Bataan Holding Room and Laboratory - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	736,659.25 (HR) 28,687.63 (LAB)	31-Jan-2018	Renewable every 3 years
	Nueva Ecija Holding Room and Laboratory - Poultry	Km104, Brgy Tabuating, San Leonardo, Nueva Ecija	Rented	Good	921,836.70 (HR) 24,110.57 (LAB)	8-Mar-2018	Renewable every 3 years
<b>Land</b>							
	Bulk Grain Handling Terminal (Golden Bay) LAND ONLY - San Miguel Mills, Inc. (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	2,737,794.64	31-Mar-2016	Renewable upon mutual agreement of the parties
	Pangasinan Feedmill LAND ONLY - Feeds	Brgy. Bued, Binalonan, Pangasinan	Rented	Good	264,975.82	Continuing unless terminated and agreed by both parties	Renewable every year
	Bataan Farm LAND ONLY - Poultry	Brgy. General Lim, Orion, Bataan	Rented	Good	137,142.23	28-Feb-2017	Renewable at the end of contract date
	Bataan Feedmill LAND ONLY - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan	Rented	Good	1,037,280.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Pasig Office LAND ONLY - San Miguel Foods, Inc. - Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Rented	Good	237,025.87	31-Dec-2017	Renewable upon consent of both parties
	Laguna Ice Cream Plant LAND ONLY - Magnolia (GFDCC)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Rented	Good	525,725.89	31-May-2019	Continuing unless terminated and agreed by both parties
<b>Mini Outlet</b>							
	Ciomas Mini Outlet - PT San Miguel Purefoods Indonesia	Jl. Taman Pagelaran No.20 Padasuka Ciomas, Bogor	Rented	Good	IDR 1,166,000.00	1-Apr-2016	Renewable upon consent of both parties
	Pasar Citeureup Mini Outlet - PT San Miguel Purefoods Indonesia	Jl. Lebak Pasar 2 Blok A5 No.29 Pasar Citeureup Bogor, Jawa Barat	Rented	Good	IDR 1,125,000.00	10-Aug-2016	Renewable upon consent of both parties
	Pasar Cibinong Mini Outlet - PT San Miguel Purefoods Indonesia	Jl. Raya Bogor Kelurahan Cirimekar Cibinong Pasar Blok B No.165 Cibinong	Rented	Good	IDR 1,416,000.00	30-Sep-2016	Renewable upon consent of both parties
	Pondok Gede Mini Outlet - PT San Miguel Purefoods Indonesia	Kompleks pertokoan Dirgantara 1 Rt.01 Rw.09 Jl. Pondok Gede Raya No.30 Lubang Buaya	Rented	Good	IDR 833,000.00	20-Nov-2016	Renewable upon consent of both parties
	Pasar Bantar Gebang Mini Outlet - PT San Miguel Purefoods Indonesia	Pasar Bantargebang Blok C No.15, Jl. Raya Narogong Km.11 Pangkalan 2 Ciketing Sumur Batu, Bantargebang Bekasi	Rented	Good	IDR 750,000.00	1-Jun-2016	Renewable upon consent of both parties
	Pasar Cibubur Mini Outlet - PT San Miguel Purefoods Indonesia	Pasar Cibubur Blok AL B1 Bks 043 Jakarta Timur	Rented	Good	IDR 666,000.00	4-Mar-2016	Renewable upon consent of both parties
	Cileungsi Mini Outlet - PT San Miguel Purefoods Indonesia	Pasar Cileungsi Blok A1 No.61	Rented	Good	IDR 1,208,000.00	17-Nov-2016	Renewable upon consent of both parties
	Pasar Parung Mini Outlet - PT San Miguel Purefoods Indonesia	Pasar Parung Blok B No.23, Bogor	Rented	Good	IDR 1,250,000.00	9-Oct-2016	Renewable upon consent of both parties
<b>Processing Plant</b>							
	Batangas Dressing Plant - Poultry	Brgy Aya, San Jose, Batangas	Rented	Good	74,886.53	31-Dec-2016	Renewable every 2 years
	Lipa Dressing Plant - Poultry	Brgy Kayumanggi, Lipa City	Rented	Good	861,209.08	28-Feb-2017	Renewable every 3 years

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
Quezon Processing Plant - Poultry	Brgy Lagalag, Tiaong, Quezon	Rented	Good	759,305.00	31-May-2018	Renewable every 3 years
Puerto Princesa Dressing Plant - Poultry	Brgy Tagburos, Puerto Princesa City	Rented	Good	20,000.00	31-Dec-2016	Renewable every year
Albay Processing Plant - Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good	112,332.00	Continuing unless terminated and agreed by both parties	Renewable every 5 years
Zamboanga Dressing Plant - Poultry	Brgy. Boalan, MCLL Highway, Zamboanga City	Rented	Good	451,124.54	31-Dec-2017	Renewable every 3 years
Lucena Processing Plant - Poultry	Brgy. Bocohan, Lucena City	Rented	Good	1,334,782.73	30-Jun-2018	Renewable every 3 years
South Cotabato Dressing Plant - Poultry	Polomolok, South Cotabato	Rented	Good	121,900.75	31-Dec-2016	Renewable every 3 years
South Cotabato Meat Packing Plant - Monterey Meats	Puro 3, Brgy. Glamang, Polomolok, South Cotabato	Rented	Good	269,106.02	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Davao Processing Plant - Poultry	Sirawan Toril, Davao City	Rented	Good	127,789.76	31-Mar-2016	Renewable every year
Batangas Dressing Plant - Poultry	Tanauan City, Batangas	Rented	Good	44,064.00	30-Sep-2016	Renewable every year
Davao Dressing Plant - Poultry	Tugbok Dist., Calinan Davao City	Rented	Good	294,699.43	31-Dec-2017	Renewable every 3 years
<b>Processing Plant and Cold Storage/Warehouse</b>						
La Union Meat Plant and Cold Storage - Monterey Meats	Bgry. Lubing, San Juan, La Union	Rented	Good	229,187.50 (PP) 161,589.29 (CS)	15-Jun-2016	Renewable
Isabela Processing Plant and Cold Storage - Poultry	Garit Sur, Echegue Isabela	Rented	Good	34,174.11 (PP) 565,536.00 (CS)	31-Dec-2016 (PP) 15-Mar-2018 (CS)	Renewable every 3 years
Misamis Oriental Processing Plant and Cold Storage - Poultry	IP4 El Salvador, Misamis Oriental	Rented	Good	266,741.11 (PP) 1,134,624.80 (CS)	4-Mar-2018 (PP) 31-Dec-2018 (CS)	Renewable every 5 years
Misamis Oriental Dressing Plant and Cold Storage - Poultry	Mohon Tagoloan Misamis Oriental	Rented	Good	104,069.76 (PP) 254,898.44 (CS)	31-Dec-2016 (PP) 31-Aug-2018 (CS)	Renewable every 3 years
Bohol Processing Plant, Cold Storage and Warehouse - Poultry	Eastern Poblacion, Albuquerque, Bohol	Rented	Good	6,428.57 (PP) 10,625.00 (CS) 9,174.80 (WH)	30-Jun-2018	Renewable every 3 years
Isabela Processing Plant and Cold Storage - Meats, Poultry	Purok 5, Rizal, Santiago City, Isabela	Rented	Good	4,464.29 (Poultry PP) 306,720.30 (Meats, Poultry CS)	30-Nov-2016 (Meats CS) 30-Sep-2017 (Poultry CS and PP)	Renewable upon mutual agreement of both parties (Meats CS) Renewable every 3 years (Poultry CS and PP)
<b>Sales Office</b>						
Rizal Office - Magnolia, Inc.	# 88 Garnet Bario Mambungan, Antipolo, Rizal	Rented	Good	7,653.06	1-Feb-2018	Renewable upon mutual agreement of both parties
Bulacan Office - Feeds	#382 mc. Arthur hi-way, Tuktukan, Guiguinto, Bulacan	Rented	Good	60,647.32	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
<b>Selling Station</b>						
Mega-Q Mart Selling Station - Monterey Meats	732 EDSA corner Ermin Garcia Street, Quezon City	Rented	Good	33,482.14	14-Aug-2016	Renewable upon mutual agreement of both parties
Batangas Selling Station - Monterey Meats	Brgy. Quilo quilo North, Padre Garcia, Batangas	Rented	Good	48,363.10	31-Dec-2016	Renewable upon mutual agreement of both parties
Pampanga Selling Station - Monterey Meats	Sta.Barbara, Bacolor, Pampanga	Rented	Good	155,073.33	Continuing unless terminated and agreed by both parties	Renewable every year
<b>Warehouse</b>						
Bataan Warehouse - Feeds	10th Avenue, FAB, Mariveles, Bataan	Rented	Good	2,025,000.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
Tagbilaran Feeds Warehouse - Poultry	19B San Jose St., Cogon Dist., Tagbilaran City	Rented	Good	7,391.92	31-Dec-2016	Renewable every year
AFSI-Managed Warehouses - Feeds	1st Industrial Park Zamboanga City Special Economic Zone Authority Sitio San Ramon, Brgy. Talisayan, Zamboanga City	Rented	Good	301,291.20	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Manila Warehouse - Feeds	2nd St. Baseco Compound, Port Area, Manila	Rented	Good	431,658.94	Continuing unless terminated and agreed by both parties	Renewable every year
	Maybunga Warehouse - San Miguel Integrated Sales	403 F. Legaspi Street, Maybunga, Pasig City	Rented	Good	4,048,446.15	30-Jun-2017	Annually based on evaluation and endorsement of operations
	Pangasinan Warehouse - Feeds	835 Brgy. Babasit Manaoag, Pangasinan	Rented	Good	168,000.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Mandaluyong Warehouse - Feeds	979 C. Castaneda Street, Mandaluyong City Metro Manila	Rented	Good	300,000.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Bukidnon Warehouse - Feeds	Bangcud, Malaybalay City, Bukidnon	Rented	Good	115,000.00	Continuing unless terminated and agreed by both parties	Renewable every year
	LSL Multi-Serve-Managed Warehouses - Feeds	Bay 6 Everland Agri Corp., Km. 12, Sasa, Davao City, Old Airport Rd., Sasa, Davao City and Km. 9, Sasa, Davao City	Rented	Good	850,500.00	31-Dec-2015	Renewable every year
	Mandaue Warehouse - Poultry	BDC Bldg., Floremer Subd., AS Fortuna St., Banilad, Mandaue City	Rented	Good	4,166.67	31-Dec-2015	Not for renewal in 2016
	Pangasinan Warehouse - Feeds	Brgy. Cablong, Mc Arthur H-way, Pozzorubio, Pangasinan	Rented	Good	113,400.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Iloilo Warehouse - Feeds	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good	381,158.40	Continuing unless terminated and agreed by both parties	Renewable every year
	Iloilo Warehouse - Feeds	Brgy. Pavia, Iloilo	Rented	Good	446,430.00	31-Dec-2015	Renewable every year
	Isabela Warehouse - Feeds	Brgy. Victoria, Alicia, Isabela	Rented	Good	75,600.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Isabela Warehouse - Feeds	Bugallon Norte, Ramon Isabela	Rented	Good	63,775.51	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Pangasinan Warehouse - Feeds	Carmay East, Rosales, Pangasinan	Rented	Good	330,610.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Pangasinan Warehouse - Feeds	Carmen East, Rosales, Pangasinan	Rented	Good	649,739.06	15-Dec-2016	Renewable every year
	Tarlac Warehouse - Feeds	Cristo Rey, Capas, Tarlac	Rented	Good	294,030.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Isabela Warehouse - Feeds	Del Pilar, Alicia, Isabela	Rented	Good	882,000.00	Continuing unless terminated and agreed by both parties	Renewable every year
	MMIJOE-Managed Warehouses - Feeds	Diversion Rd., Buhangin, Davao City, Km 10, Sasa, Davao City and Gensan Drive, Koronadal City	Rented	Good	924,577.71	31-Dec-2015	Renewable every year
	Maybunga Warehouse - San Miguel Mills, Inc.	Jose Ong Street, Maybunga, Pasig City	Rented	Good	316,845.00 (Jan to Jun) 348,529.50 (Jul to Dec)	14-Jun-2016	Renewable upon mutual written agreement of the parties
	Tarlac Warehouse - Feeds	Mabini, Moncada, Tarlac	Rented	Good	252,725.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Laguna Warehouse - Feeds	Maharlika Highway, Calamba Laguna	Rented	Good	97,184.00	31-Jul-2017	Renewable every 3 years

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Laguna Warehouse - Feeds	Malitlit, Sta. Rosa City Laguna	Rented	Good	1,016,960.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Isabela Warehouse - Feeds	Marabulig I, Cauyan City Isabela	Rented	Good	76,530.61	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Bataan Warehouse - Feeds	MGC Compound, Luzon Avenue, Brgy. Mariveles, Bataan	Rented	Good	2,535,454.77	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Iloilo Warehouse - Feeds	Muelle Looney, Iloilo City	Rented	Good	295,680.00	Continuing unless terminated and agreed by both parties	Renewable every 2 years
	Pangasinan Warehouse - Feeds	Nancayasan, Urdaneta, Pangasinan	Rented	Good	227,520.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Isabela Warehouse - Feeds	Nungnungan II, Cauyan City Isabela	Rented	Good	123,214.29	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	SMSCL-Managed Warehouses - Feeds	Ouano Wharf, Looc, Mandaue City, Cebu	Rented	Good	20,079,399.33	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	La Union Warehouse - Feeds	Pagdaraoan, San Fernando, La Union	Rented	Good	117,857.14	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Camarines Sur Warehouse - Feeds	Pongol Balogo Pasacao Camarines Sur	Rented	Good	439,285.71	Continuing unless terminated and agreed by both parties	Renewable every year
	San Fernando Warehouse - Feeds	Port Area, San Fernando Port, Poro Point Special Economic and Freeport Zone	Rented	Good	127,609.71	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Isabela Warehouse - Feeds	Prenza Highway, Cauayan City, Isabela	Rented	Good	423,359.82	1-Mar-2016	Renewable upon mutual agreement of both parties
	Bacolod Warehouse - Feeds	Reclamation Area, Banago, Bacolod City	Rented	Good	165,894.40	Continuing unless terminated and agreed by both parties	Renewable every year
	Negros Oriental Warehouse - Poultry	Sac-Sac, Bacong, Negros Oriental. 6216	Rented	Good	85,058.53	30-Sep-2016	Renewable every year
	Isabela Warehouse - Feeds	San Fermin, Cauayan City, Isabela	Rented	Good	323,952.68	1-Mar-2016	Renewable upon mutual agreement of both parties
	Batangas Warehouse - San Miguel Mills, Inc.	San Jose, Batangas	Rented	Good	100,000.00	31-Mar-2016	Renewable upon mutual agreement of the parties
	Camarines Sur Warehouse - Feeds	Santiago, Pili, Camarines Sur	Rented	Good	400,017.86	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Bulacan Warehouse - San Miguel Mills, Inc.	Sta. Rita, Guiguinto, Bulacan	Rented	Good	70,072.64	31-May-2018	Renewable upon mutual agreement of the parties
	La Union Warehouse - Feeds	Sta. Rita East, Agoo, La Union	Rented	Good	112,410.00	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	South Cotabato Warehouse - Poultry	Tumbler, Polomolok South Cotabato	Rented	Good	226,113.29	10-Mar-2017	Renewable every 3 years



Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Pangasinan Warehouse - Feeds	Urdaneta, Pangasinan	Rented	Good	359,988.66	Continuing unless terminated and agreed by both parties	Renewable every 6 months
	Isabela Warehouse - Feeds	Victoria, Alicia, Isabela	Rented	Good	73,260.00	1-Aug-2016	Renewable upon mutual agreement of both parties
	Tacloban Warehouse - Poultry, Monterey Meats	Brgy 99 Diit, Maharlika Highway, Tacloban City	Rented	Good	359,811.49	30-Sep-2017 (Poultry) 30-Oct-2017 (Meats)	Renewable every 2 years (Poultry) Renewable upon mutual agreement on both parties under their agreed terms and conditions (Meats)
<b>Others (Blast Freezing Facility/Depot/Slaughterhouse)</b>							
	Parañaque Blast Freezing Facility - Purefoods Hormel Company, Inc.	Sta. Aqueda Ave., Pascor Drive, Parañaque City	Rented	Good	3,668,100.83	31-Jan-2017	Renewable by mutual agreement of the parties under such terms and conditions as they may agreed upon
	Depok Depot - PT San Miguel Purefoods Indonesia	Jl. Raya Bogor Km. 35 Sukamaju, Cilodong, Depok, Indonesia	Rented	Good	IDR 1,083,000.00	1-Dec-2016	Renewable upon consent of both parties
	Misamis Oriental Slaughterhouse - Monterey Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	13,000.00	9-Oct-2016	Renewed upon the expiry of its contract term for the like period(s) under the same terms and conditions, except as may be otherwise agreed by the parties in writing



## Annex "D"

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

This discussion summarizes the significant factors affecting the consolidated financial position, financial performance and cash flows of San Miguel Pure Foods Company Inc. ("SMPFC" or the "Parent Company") and its subsidiaries (collectively, referred to as the "Group") for the three-year period ended December 31, 2015. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2015. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2015 and the financial performance and cash flows for the year ended December 31, 2015 and for all the other periods presented, have been made.

#### I. BASIS OF PREPARATION

##### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

##### Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting, except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Available-for-sale (AFS) financial assets	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

#### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded off to the nearest thousand (₱000), except when otherwise indicated.

#### Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

#### Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

#### *Amendments to Standards and Interpretation Adopted in 2015*

The Group has adopted the following PFRS effective January 1, 2015 and accordingly, changed its accounting policies in the following areas:

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group:
  - Meaning of 'Vesting Condition' (*Amendment to PFRS 2, Share-based Payment*). PFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies the following: (i) how to distinguish between a market and a non-market performance condition; and (ii) the basis on which a performance condition can be differentiated from a non-vesting condition. The adoption of the amendment did not have an effect on the consolidated financial statements.
  - Scope Exclusion for the Formation of Joint Arrangements (*Amendment to PFRS 3, Business Combinations*). PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in PFRS 11, *Joint Arrangements* - i.e., including joint operations - in the financial statements of the joint arrangements themselves. The adoption of the amendment did not have an effect on the consolidated financial statements.
  - Disclosures on the Aggregation of Operating Segments (*Amendments to PFRS 8, Operating Segments*). PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The adoption of the amendments did not have an effect on the consolidated financial statements.

- Scope of Portfolio Exception (*Amendment to PFRS 13, Fair Value Measurement*). The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis (portfolio exception) applies to contracts within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities under PAS 32, *Financial Instruments: Presentation* - e.g., certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The adoption of the amendment did not have an effect on the consolidated financial statements.
- Definition of 'Related Party' (*Amendments to PAS 24, Related Party Disclosures*). The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g., loans. The adoption of the amendments did not have an effect on the consolidated financial statements.
- Inter-relationship of PFRS 3 and PAS 40, *Investment Property (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3. The adoption of the amendment did not have an effect on the consolidated financial statements.
- Classification and Measurement of Contingent Consideration (*Amendments to PFRS 3*). The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to PAS 32, rather than to any other PFRS. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to PAS 39 and PFRS 9 to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is amended to exclude provisions related to contingent consideration. The adoption of the amendments did not have an effect on the consolidated financial statements.

Additional disclosures required by the amended standards were included in the consolidated financial statements, where applicable.

## **II. FINANCIAL PERFORMANCE**

### **2015 vs 2014**

The Group ended the year with consolidated revenues of P106.9 billion, a 4% growth over the previous year mainly due to the strong performance of Feeds, Processed Meats, and Dairy and Spreads businesses. The growth was tempered by the impact of the poultry industry's oversupply of chicken in the first half of 2015 which dragged prices down and the drop in flour's selling prices amidst the decline in global prices of wheat coupled with the competitive pressure from cheaper imported flour.

The increase in revenues, combined with cost breaks in some raw material prices and better efficiencies, resulted in gross profit growing by 11%.

Selling and administrative expenses went up by 8% due to increased advertising and promotions, and logistics costs. This increase is attributed to (i) higher spending on brand-building activities and marketing support for new products, and (ii) increased logistics costs such as warehousing and transportation as the Group continues to expand distribution coverage. Increased trucking rates also contributed to higher logistics cost.

Settlement of matured loans, as well as lower average level of bank borrowings, resulted in a 7% drop in interest expense and other financing charges.

The increase in interest income was mainly due to higher average level of cash held in short-term placements in 2015 compared to same period in 2014.

The one-time gain recognized from the disposal of an investment property explained the significant increase in gain on sale of investment, investment property, and property and equipment.

The 12% increase in other charges - net was mainly due to higher mark-to-market losses related to importations as the Philippine Peso depreciated against other foreign currencies.

Income tax expense rose by 21% as income before income tax increased by 23%.

The overall performance of the Group yielded a consolidated net income of P4.75 billion, a 24% growth versus same period in 2014. Higher operating income, lower net financing charges, as well as the one-time gain on sale of an investment property, accounted for this increase in net income.

Net income attributable to equity holders of the Parent Company was up by 16% due to better combined performances of subsidiaries where SMPFC holds significant ownership.

Net income attributable to non-controlling interests contrasted that of 2014 mainly due to the improved performances of certain subsidiaries where non-controlling stockholders hold stake and the acquisition in January 2015 of Hormel Netherlands B.V.'s (Hormel) 49% equity interest in San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited) by San Miguel Pure Foods International, Limited (SMPFIL), a wholly-owned subsidiary of SMPFC.

## *Business Highlights:*

### *Agro-Industrial*

Agro-Industrial, composed of Poultry and Fresh Meats (pork and beef), and Feeds businesses, contributed a total of P72.6 billion to the Group's total revenues, a 4% increase compared to 2014's level. From a 13% operating income decline in the first nine months of 2015 versus same period in 2014, Agro-Industrial ended 2015 with an 8% profit growth due to sustained strong performance of the Feeds business and the recovery of chicken prices starting in the third quarter of the year.

The Feeds business of San Miguel Foods, Inc. (SMFI) delivered a robust performance with revenue growing 10% on the back of better selling prices and higher volumes driven by aggressive marketing campaigns, improved distribution and more consistent feed quality. These, and the lower cost of some raw materials, partly due to the increased availability of lower-priced substitute raw materials, resulted in operating income increasing significantly.

Coming from the first half of 2015 where the Poultry and Fresh Meats business of SMFI experienced dampened selling prices due to oversupply in the poultry industry and increased pork importation by traders, the business started to recover in the second half of the year as chicken prices improved from their year-low in the second quarter of 2015. Average selling prices, however, were still lower compared to same period in 2014 as pork prices remained depressed for the rest of 2015. Revenue posted a modest 1% growth while operating income for 2015 is still lower versus 2014 level.

### *Value-Added Meats*

The Purefoods-Hormel Company, Inc.'s (PF-Hormel) Processed Meats business posted 8% revenue growth due better selling prices and higher volume generated from its core products, as well as the incremental volume from new products. These, coupled with improved efficiencies, resulted in operating income 36% higher compared to same period in 2014.

### *Milling*

Increased sales volume of flour and higher service revenue from its grain terminal enabled the Parent Company's Milling business under San Miguel Mills, Inc. (SMMI) to achieve a 3% revenue growth. Operating income, however, was lower by 10% compared to the same period in 2014 due to the drop in flour selling prices, following the decline in global prices of wheat, as well as the competitive pressure from cheaper imported flour and new industry entrants.

### *Dairy & Others*

The Company's Dairy, Spreads and Biscuits business under Magnolia, Inc. (Magnolia) posted a 13% increase in revenue due to better selling prices and higher volumes of cheese, margarine and ice cream, as well as the incremental revenues coming from the Parent Company's *La Pacita* biscuits line which was acquired in February 2015. Similarly, the softening of prices of certain major raw materials contributed to its profit growth.

The Coffee business under San Miguel Super Coffeemix Co., Inc. (SMSCCI) continues to be affected by the phase out of slow-moving variants as well as increased pressure from major players who aggressively spend on advertising and promotion to push their products. These resulted in lower volume and revenue versus the same period in 2014.

The resulting combined operating income of businesses under Dairy and Others was higher than same period last year's level mainly due to the good performance of the Dairy, Spreads and Biscuits business.

### **2014 vs 2013**

Consolidated revenues of the Group breached the P100.0 billion mark by posting P103.0 billion in revenues or a 3% growth from 2013 level driven by higher volume and better selling prices.

Selling and administrative expenses dropped by 5% as the Group managed its spending particularly in advertising and promotion. This cushioned the impact of higher distribution and transportation costs due to increased trucking rates brought about by the truck ban problem in Manila.

Interest expense and other financing charges dropped by 24% due to lower average level of borrowings coupled with decreased average borrowing rates.

Interest income increased significantly as proceeds from the sale of SMPFC's investment in Manila Electric Company (Meralco) received in March 2014 was held in short-term placements.

Gain on sale of investment, investment property, and property and equipment was lower in 2014 versus same period in 2013 as 2013 included the gain recognized from the sale of Meralco shares.

The sale of SMPFC's investment in Meralco shares in September 2013 likewise explained the 100% decline in the equity in net earnings of an associate.

Other charges - net was down by 5% mainly due to lower mark-to-market loss, mostly on wheat options.

Income tax expense grew by 21% as most of the income in 2014 was subjected to the 30% regular income tax rate in contrast with that of the same period in 2013 where the equity in net earnings of an associate and the gain recognized from the sale of investment in Meralco, which formed part of the income before income tax, were not subjected to tax.

Net income was 6% lower as the full year impact of the divestment in Meralco in the second half of 2013 was partly offset by the lower net mark-to-market losses largely from wheat options.

Net income attributable to equity holders of the Parent Company similarly dropped by 5% due to the sale of SMPFC's investment in Meralco shares.

On the other hand, net loss attributable to non-controlling interests increased mainly due to the recognition of impairment loss on goodwill of a subsidiary where non-controlling stockholders hold stake.

### ***Business Highlights:***

#### ***Agro-Industrial***

Agro-Industrial, composed of Poultry and Fresh Meats (pork and beef), and Feeds businesses, contributed a total of P69.6 billion to the Group's total revenues, a 6% increase compared to 2013's level. Operating income, on the other hand, posted double-digit growth versus 2013 level mainly due to the strong performance of the Poultry and Fresh Meats business.

Revenue of the combined Poultry and Fresh Meats business of SMFI went up by 6% largely on account of favorable selling prices. Although typhoon Glenda in July 2014 affected poultry supply and somehow dampened sales volume growth, aggregate sales volume in stable-priced channels such as Magnolia Chicken Stations, Monterey Meat Shops and foodservice grew compared to same period in 2013. This, combined with improvements in farm efficiencies, translated to an operating profit higher than 2013's level.

SMFI's Feeds business posted 7% revenue growth due to better selling prices and higher volume. Operating income, however, was lower than same period in 2013 due to higher raw material prices and incremental importation-related charges, such as demurrage and trucking, arising from the port congestion problem.

#### *Value-Added Meats*

PF-Hormel's Processed Meats revenue grew by 1% due to better selling prices which offset lower volume. The business was affected by high trade inventory at the start of 2014 due to the aftermath effect of typhoon Yolanda, thus, resulting in volume shortfall in the first quarter of the year. The impact of the Manila port congestion on the availability of some raw materials resulted in lost sales, higher demurrage and incremental storage costs while increased trucking rates brought about by the truck ban problem led to higher distribution and transportation costs. As a result, operating income of the business decreased versus 2013 level

#### *Milling*

Revenue of the Parent Company's Milling business under SMMI grew by 5% on account of higher flour sales volume and additional revenue from the first full year operation of its grain terminal. This, combined with the reduction in wheat costs, enabled the business to surpass 2013's operating income.

#### *Dairy & Others*

Volume growth in most categories under Magnolia's Dairy and Spreads business, as well as higher selling prices to partly cover the increasing costs of major raw materials, resulted in a 9% increase in revenue.

The drop in SMSCCI's volume versus 2013's level, brought about by soft demand for its two categories, resulted in a 17% decline in revenue.

Combined operating income of businesses under Dairy and Others was 7% higher versus 2013 level.

### **III. FINANCIAL POSITION**

#### **2015 vs 2014**

The Group's consolidated financial position remained strong. Current ratio and debt to equity ratio both improved from 1.62:1 in 2014 to 1.89:1 in 2015 and from 0.85:1 in 2014 to 0.56:1 in 2015, respectively, as matured bank loans were paid in 2015. The increase in total equity from P36.0 billion to P39.0 billion is mainly attributable to the net income for the year, partly reduced by the cash dividends declared to all common and preferred shareholders of the Parent Company. The drop in



total assets from P66.7 billion to P61.0 billion is mainly due to the cash outlay made to fully settle a domestic subsidiary's matured five-year corporate notes.

Below were the major developments in 2015:

#### INVESTMENTS IN SUBSIDIARIES

- a) In January 2015, SMPFIL, a wholly-owned subsidiary of SMPFC, signed an agreement for the purchase from Hormel of the latter's 49% of the issued share capital of SMPFI Limited. SMPFIL already owned 51% interest in SMPFI Limited prior to the acquisition. SMPFI Limited is the sole investor in San Miguel Hormel (VN) Co., Ltd. (SMHVN), a company incorporated in Vietnam, which is licensed to engage in live hog farming and the production of feeds and fresh and processed meats.

Following the acquisition, SMPFI Limited became a wholly-owned subsidiary of SMPFIL. Consequently, Hormel's non-controlling interest amounting to P126.3 million as at January 2015 was derecognized. As part of the agreement, Hormel paid its share of the cash requirement to settle SMHVN's obligations, including estimated contingent liabilities and costs to temporarily close the farm and feed mill operations. This resulted in the recognition of other equity reserves amounting to P383.8 million presented as part of "Other equity reserves" account in the 2015 consolidated statement of financial position.

With the divestment made by Hormel, SMHVN changed its corporate name to San Miguel Pure Foods (VN) Co., Ltd. (SMPFVN) in June 2015 following the issuance of the Binh Duong People's Committee of the amended business license of SMHVN.

- b) In December 2015, the Board of Directors (BOD) and shareholders of SMMI approved, among others, the (i) increase in SMMI's authorized capital stock by P2,000.0 million, equivalent to 20,000,000 common shares at P100.00 par value per share, and (ii) declaration of stock dividend in favor of SMPFC amounting to P2,000.0 million, the equivalent number of common shares of which totalling 20,000,000 will be taken from the proposed increase in authorized capital stock.
- c) In December 2015, the BOD and shareholders of PF-Hormel approved the (i) increase in PF-Hormel's authorized capital stock by P2,000.0 million, equivalent to 2,000,000,000 common shares at P1.00 par value per share, and (ii) declaration of stock dividend in favor of existing shareholders amounting to P2,000.0 million, the equivalent number of common shares of which totalling 2,000,000,000 will be taken from the proposed increase in authorized capital stock.

#### TRADE AND OTHER RECEIVABLES

In February 2015, SMPFC reversed the refundable deposit initially recorded by the Parent Company as part of non-trade receivables as at December 31, 2014.

The refundable deposit was paid by SMPFC in November 2014 in relation to the transfer to SMPFC of Felicísimo Martínez & Co. Inc.'s (FMC) trademarks, formulations, recipes and other intangible properties (collectively, the "IP Rights") relating to FMC's *La Pacita* biscuit and flour-based snack business by virtue of the Intellectual Property Rights Transfer Agreement (Agreement) entered into by the two parties.

## TRADEMARKS AND OTHER INTANGIBLE ASSETS

In February 2015, the acquisition by SMPFC of FMC's IP Rights relating to the *La Pacita* biscuit and flour-based snack business was completed following the substantial fulfillment of the closing conditions and the payment of the consideration.

## OTHER NONCURRENT ASSETS

In 2015, SMPFVN recognized an impairment loss on idle assets amounting to P253.2 million.

## LONG-TERM DEBT

In December 2015, SMFI fully paid its Philippine Peso-denominated fixed rate and floating rate notes with principal amounts of P800.0 million and P3,700.0 million, respectively.

## EQUITY

### *Redemption of Outstanding Preferred Shares (PFP Shares)*

On February 3, 2015, the BOD of SMPFC approved the redemption on March 3, 2015 of the Parent Company's 15,000,000 PFP Shares issued on March 3, 2011 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of the Parent Company's treasury shares.

### *Issuance of Perpetual Series "2" Preferred Shares (PFP2 Shares)*

On January 20, 2015, the board of directors of the Philippine Stock Exchange (PSE) approved, subject to the approval of the SEC approval and certain conditions, the application of SMPFC to list up to 15,000,000 PFP2 Shares with a par value of P10.00 per share to cover SMPFC's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered SMPFC's Registration Statement covering the registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share (the "PFP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on SMPFC's application to list up to 15,000,000 PFP2 Shares with a par value of P10.00 per share to cover the PFP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by SMPFC's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the PFP2 Shares Offering, management determined the terms of the PFP2 Shares (Terms of the Offer), including the initial dividend rate for the PFP2 Shares at 5.6569% per annum.

A summary of the Terms of the Offer is set out below:

SMPFC, through its underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of P1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the Parent Company, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 PFP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

#### *Appropriated Retained Earnings*

- a) In June 2015, the BOD of SMFI, a 99.97%-owned subsidiary of SMPFC at that time, approved an appropriation amounting to P3,000.0 million, to finance SMFI's feed mill expansion projects. The projects started in 2015 and are expected to be completed in three years.
- b) In June 2015, the BOD of SMMI, a wholly-owned subsidiary of SMPFC, approved an appropriation amounting to P2,000.0 million to finance SMMI's flour mill expansion project. The project started in 2015 and is expected to be completed in two years.

In December 2015, the BOD of SMMI approved the reversal of the June 2015 retained earnings appropriation amounting to P2,000.0 million upon approval by the SEC of the increase in SMMI's authorized capital stock.

#### *Cash Dividends*

Cash dividends declared in 2015 by the BOD of the Parent Company to common and preferred shareholders amounted to P4.80 per share and P62.42675 per share, respectively.

#### Analysis of Financial Position Accounts

Cash and cash equivalents decreased by 35% as funds were used to pay maturing bank loans.

The 6% drop in trade and other receivables - net was mainly due to the reversal of the refundable deposits made for the purchase of feed mill plants and for the acquisition by SMPFC of FMC's IP Rights relating to the *La Pacita* brand.

The 9% decline in inventories was largely due to lower inventory of feed raw materials and the depletion of slow-moving stocks.

The 33% drop in prepaid expenses and other current assets was mostly related to the prepaid importation costs which were eventually reclassified and formed part of inventories as imported raw materials were received and used in production. The decrease was also caused by the decline in the level of input and creditable withholding taxes for application against future tax liabilities.

Property, plant and equipment - net rose by 16% due to expansion projects of the Group.

Noncurrent biological assets grew by 10% as breeding stocks affected by typhoon Glenda were replenished.

Trademarks and other intangible assets - net went up by 8% due to the acquisition by SMPFC of FMC's IP Rights relating to the *La Pacita* brand.

The 9% increase in deferred tax assets was due to the recognition of tax asset on (i) unrealized mark-to-market loss on importations brought about by the Philippine Peso depreciation against other foreign currencies, and (ii) additional provisions for inventory losses.

Other noncurrent assets increased mainly on account of the reclassification of a foreign subsidiary's non-operating assets to noncurrent assets.

The 59% drop in notes payable was due to the payment of matured short-term bank loans.

Higher volume of transactions with third party suppliers in the last quarter of 2015 resulted in a 5% increase in trade payables and other current liabilities.

Income tax payable was higher versus 2014 level due to the increase in the Group's taxable income in the fourth quarter of 2015 versus same period in 2014.

The decline in the current maturities of long-term debt - net of debt issue costs was due to the full settlement of a subsidiary's matured five-year corporate notes.

The reversal of a deferred tax liability provision resulted in a 7% drop in deferred tax liabilities.

SMPFC's issuance on March 12, 2015 of 15,000,000 PFP2 Shares with a par value per share of P10.00 and an offer price of P1,000.00 per share explained the 8% and 72% increases in capital stock and additional paid-in capital, respectively.

The increase in other equity reserves, as well as the increment in cumulative translation reserve, were on account of the acquisition by SMPFC, through SMPFIL, of Hormel's 49% equity interest in SMPFI Limited.

The drop in reserve for retirement plan was due to the remeasurement of the Group's plan assets and obligations for the year 2015.

Fair value reserve rose by 21% due to the increase in the fair valuation of available-for-sale (AFS) financial assets.

The increase in appropriated retained earnings and the corresponding decrease in unappropriated retained earnings were mainly due to the additional appropriations made to cover the subsidiaries' expansion projects. Unappropriated retained earnings was likewise reduced by the cash dividend declarations made.

SMPFC's redemption on March 3, 2015 of 15,000,000 PFP Shares issued on March 3, 2011 with an offer price of P1,000.00 per share explained the increase in treasury stock.

### **2014 vs 2013**

Consolidated financial position of the Group remained healthy. Debt to equity ratio registered at 0.85:1 in 2014 from 0.72:1 in 2013. Current ratio of 1.62:1 in 2014 is lower versus 2.14:1 in 2013 due to the reclassification of maturing long-term debt to current liabilities. Total equity declined from P42.4 billion to P36.0 billion while total assets base decreased from P72.7 billion to P66.7 billion mainly due to the declaration by the BOD of the Parent Company on March 26, 2014 of a P48.00 per share special cash dividend to all common shareholders of record as at April 11, 2014. Said cash dividend was subsequently paid by SMPFC on May 12, 2014.

Below were the major developments in 2014:

### **TRADE AND OTHER RECEIVABLES**

The Parent Company's receivable from the sale of its investment in Meralco shares in September 2013 amounting to P13,886.4 million was collected in March 2014.

In November 2014, SMPFC entered into an Agreement with FMC for the transfer to SMPFC of FMC's IP Rights relating to the *La Pacita* biscuit and flour-based snack business. The refundable deposit paid by SMPFC in November 2014 was recognized by the Parent Company as part of non-trade receivables as at December 31, 2014.

### **INVESTMENT IN AN ASSOCIATE**

In September 2013, SMPFC, together with San Miguel Corporation and SMC Global Power Holdings Corp., entered into a Share Purchase Agreement with JG Summit Holdings, Inc. for the sale of the Parent Company's 59,090,909 shares of stock in Meralco for P13,886.4 million. Certain closing conditions covering the sale were satisfied by all the parties in December 2013.

As at December 31, 2013, the sale of SMPFC's shares of stock in Meralco is included as part of "Others" under "Trade and other receivables" account in the 2013 consolidated statement of financial position.

In March 2014, SMPFC received the proceeds from the sale of Meralco shares.

### **PROPERTY, PLANT AND EQUIPMENT**

Land and land improvements include a 144-hectare property in Sumilao, Bukidnon, acquired by SMFI in 2002, which later became the subject of a petition for revocation of conversion order filed by MAPALAD, a group of Sumilao farmers, with the Department of Agrarian Reform (DAR), and appealed to the Office of the President (OP). Total acquisition and development costs amounted to P37.4 million.

To settle the land dispute, a Memorandum of Agreement (MOA) was executed among SMFI, MAPALAD, OP and DAR on March 29, 2008. The MOA provided for the release of a 50-hectare portion of the property to qualified farmer-beneficiaries, and the transfer of additional 94 hectares outside of the property to be negotiated with other Sumilao landowners. Under the MOA, SMFI shall retain ownership and title to the remaining portion of the property for the completion and pursuit of the hog farm expansion.

SMFI fully complied with all the provisions of the MOA in the last quarter of 2010. To formally close the pending cases filed by MAPALAD with the Supreme Court (SC) and OP, SMFI forwarded in November 2010 to the Sumilao farmers' counsels the draft of the Joint Manifestation and Motion for Dismissal of the cases pending with the SC and the OP for their concurrence. Pursuant to the Joint Manifestation and Motion for Dismissal dated March 3, 2011 filed by SMFI and NQSR Management and Development Corporation, the original owner of the Sumilao property, the SC and the OP, in a Resolution dated March 15, 2011 and in an Order dated April 6, 2011, respectively, dismissed the appeal of MAPALAD on the DAR's denial of their petition for the revocation of the conversion order. SMFI considered the said Order and Resolution to have attained finality as at March 20, 2015. SMPFC is not aware of any appeal or relief therefrom filed or applied for by MAPALAD.

#### TRADEMARKS AND OTHER INTANGIBLE ASSETS

In 2014, SMPFC recognized an impairment loss on the value of goodwill amounting to P250.9 million.

#### EQUITY

##### *Perpetual Series "2" Preferred Shares (PFP2 Shares)*

On November 5, 2014, the BOD of SMPFC approved, among others, the: (i) public offer of up to 25 million PFP2 Shares at an issue price of P1,000.00 per share from the Parent Company's unissued capital stock as covered by the previous approval of the stockholders in its Special Stockholders' meeting held on November 3, 2010; and (ii) registration and listing of such PFP2 shares at the appropriate exchanges.

##### *Appropriated Retained Earnings*

On March 10, 2014, the Board of Directors of PF-Hormel approved an additional appropriation amounting to P750.0 million, increasing its appropriated retained earnings from P1,250.0 million to P2,000.0 million, to finance a plant expansion. The project will start in 2015 and is expected to be completed in two years.

##### *Cash Dividends*

Cash dividends declared in 2014 by the BOD of the Parent Company to common and preferred shareholders amounted to P51.60 per share and P80.00 per share, respectively.

#### Analysis of Financial Position Accounts

The increase in cash and cash equivalents and the corresponding decrease in trade and other receivables - net is mainly due to the receipt of payment from sale of SMPFC's investment in Meralco. Cash received was partly used to pay the P8.0 billion cash dividend declared to common

shareholders of the Parent Company in March 2014.

Inventories grew by 12% mainly due to higher raw materials costs and increased level of input materials for feeds.

Prepaid expenses and other current assets rose by 25% mainly due to advance payments for imported raw materials which are still in transit.

The 5% drop in property, plant and equipment - net is attributed to the depreciation of such assets.

The recognition of an impairment loss on the goodwill portion of the investment in a foreign subsidiary resulted in the decline in trademarks and other intangible assets - net.

The increase in deferred tax assets by 9% was due to the recognition of tax asset on (i) future benefit from the tax loss position for 2014 of a domestic subsidiary, and (ii) additional provisions for inventory losses and doubtful accounts. The remeasurement of a domestic subsidiary's plan assets and obligations for the year 2014 likewise contributed to the increase in deferred tax assets.

Other noncurrent assets decreased by 11% due to the amortization of crates, coops, chicken boxes, egg trays and pallets.

The reclassification of maturing long-term debt to current liabilities caused the 100% increase in current maturities of long-term debt - net of debt issue costs and the corresponding 100% drop in long-term debt - net of current maturities and debt issue costs.

Income tax payable was 21% lower versus 2013 level due to the decline in the Group's taxable income in the fourth quarter of 2014 versus same period in 2013.

The reversal of a deferred tax liability provision in 2014 resulted in an 18% drop in deferred tax liabilities.

The drop in reserve for retirement plan is due to the remeasurement of the Group's plan assets and obligations for the year 2014.

Fair value reserve grew by 16% due to the increase in the fair valuation of available-for-sale (AFS) financial assets.

Appropriated retained earnings went up by 60% on account of a subsidiary's additional appropriation for plant expansion while unappropriated retained earnings decreased by 36% mainly due to the P8.0 billion cash dividend paid in May 2014 to all outstanding common shareholders of the Parent Company.

The cash dividend declaration by a domestic subsidiary where non-controlling stockholders hold stake resulted in a 20% decline in the balance of non-controlling interests.

#### IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	<b>December 31</b>		
	<b>2015</b>	2014	2013
		<i>(In Millions)</i>	
Net cash flows provided by operating activities	<b>P11,995</b>	P5,739	P7,068
Net cash flows provided by (used in) investing activities	<b>(5,704)</b>	11,535	(3,011)
Net cash flows used in financing activities	<b>(11,219)</b>	(10,089)	(1,311)

Net cash from operations basically consisted of income for the period and changes in non-cash current assets, certain current liabilities and others.

Net cash provided by (used in) investing activities included the following:

	<b>December 31</b>		
	<b>2015</b>	2014	2013
		<i>(In Millions)</i>	
Acquisitions of property, plant and equipment	<b>(P3,128)</b>	(P647)	(P1,978)
Increase in biological assets and other noncurrent assets	<b>(2,215)</b>	(1,634)	(1,601)
Acquisitions of intangible assets	<b>(464)</b>	(71)	(43)
Proceeds from sale of investment, investment property, and property and equipment	<b>103</b>	13,887	8
Dividends received from associate	<b>-</b>	-	603

Major components of cash flow used in financing activities are as follows:

	<b>December 31</b>		
	<b>2015</b>	2014	2013
		<i>(In Millions)</i>	
Redemption of outstanding PFP Shares	<b>(P15,000)</b>	P-	P-
Proceeds from issuance of PFP2 Shares	<b>14,885</b>	-	-
Net availments (payments) of notes payable	<b>(5,174)</b>	107	1,288
Payments of current maturities of long-term debt	<b>(4,500)</b>	-	-
Availments of long-term debt	<b>65</b>	-	-
Cash dividends paid	<b>(2,067)</b>	(10,196)	(2,599)
Proceeds from divestment of non-controlling interest	<b>557</b>	-	-
Proceeds from addition in non-controlling interest	<b>15</b>	-	-

The effect of exchange rate changes on cash and cash equivalents amounted to (P3.5 million), (P0.5 million) and P4.4 million in 2015, 2014 and 2013, respectively.



## V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company as at December 31, 2015 and 2014 is restricted in the amount of P182.1 million representing the cost of common shares held in treasury.

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.

## VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the periods indicated below.

KPI	December 2015	December 2014
Liquidity: Current Ratio	1.89	1.62
Solvency: Debt to Equity Ratio	0.56	0.85
Asset to Equity Ratio	1.56	1.85
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	16.98%	11.99%
Interest Rate Coverage Ratio	26.36	20.97

KPI	As at December 2015	As at December 2014
Operating Efficiency: Volume Growth	4.49%	0.23%
Revenue Growth	3.75%	3.23%
Operating Margin	7.15%	6.27%

The manner by which the Group calculates the above indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Return on Average Equity Attributable to Equity Holders of the Parent Company	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company**}}$

Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left( \frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$
Revenue Growth	$\left( \frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

\* Excluding cash dividends paid to preferred shareholders

\*\* Excluding preferred capital stock and related additional paid-in capital

## VII. OTHER MATTERS

### a) Declaration of Cash Dividends

On February 2, 2016, the Parent Company's BOD declared cash dividends to all common shareholders of record as at February 18, 2016 amounting to P1.20 per share payable on March 1, 2016. SMPFC's BOD likewise declared on February 2, 2016 cash dividends to all preferred (series 2) shareholders of record as at February 18, 2016 amounting to P14.14225 per share payable on March 12, 2016.

### b) Increase in Authorized Capital Stock and/or Reversal of Retained Earnings Appropriation

On March 11, 2016, the SEC issued the Certificate of Filing of Amended Articles of Incorporation approving the increase in SMMI's capital stock from P2,000.0 million, consisting of 20,000,000 common shares at a par value of P100.00 per share, to P4,000.0 million, consisting of 40,000,000 million shares at the same par value.

On the same date, SMMI reversed the June 2015 retained earnings appropriation amounting to P2,000.0 million.

On March 11, 2016, the BOD of PF-Hormel approved the reversal of the retained earnings appropriation amounting to P2,000.0 million.

### c) Contingencies

The Group is a party to certain lawsuits or claims (mostly labor-related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

### d) Commitments

The outstanding capital and purchase commitments of the Group as at December 31, 2015 and 2014 amounted to P13,805.4 million and P16,528.0 million, respectively.

### e) Foreign Exchange Rate

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso were closing rates of P47.06 and P44.72 in 2015 and 2014, respectively, for

consolidated statements of financial position accounts; and average rates of P45.50, P44.39 and P42.43 in 2015, 2014 and 2013, respectively, for income and expense accounts.

- f) Except for the Processed Meats, Dairy, Poultry and Fresh Meats businesses, which consistently earn more revenues during the Christmas holiday season, the effect of seasonality or cyclicalities on the operations of the Parent Company's other businesses is not material.
- g) There are no unusual items as to the nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- h) There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- i) There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- j) There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- k) There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 34 (b) of the 2015 Audited Consolidated Financial Statements. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- l) There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended December 31, 2015.
- m) Certain amounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of San Miguel Pure Foods Company Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders of the Company.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audits.

A blue ink signature of Eduardo M. Cojuangco, Jr.

**Eduardo M. Cojuangco, Jr.**  
Chairman of the Board

A blue ink signature of Francisco S. Alejo III.

**Francisco S. Alejo III**  
President

A blue ink signature of Zenaida M. Postrado.

**Zenaida M. Postrado**  
Treasurer and Chief Finance Officer

Signed this 15<sup>th</sup> day of March 2016

## ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES )

PASIG CITY City ) S.S.

Before me, a Notary Public for and in PASIG CITY City this \_\_\_\_\_ day  
of MAR 15 2016 2016, personally appeared:

<u>Name</u>	<u>Passport No.</u>	<u>Expiry Date/Place Issued</u>
Eduardo M. Cojuangco, Jr.	XX-0410612	February 15, 2017 / Manila
Francisco S. Alejo III	EB-6193070	August 23, 2017 / Manila
Zenaida M. Postrado	EC-0671128	March 25, 2019 / Manila

known to me to be the same persons who executed the foregoing Statement of Management's Responsibility consisting of two (2) pages including this page on which this acknowledgment is written and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

IN WITNESS WHEREOF, I have hereto affixed my notarial seal at the date and place first above written.

Doc. No. 208 ;  
Page No. 43 ;  
Book No. IX ;  
Series of 2016.

**MA. CELESTE L. LEGASPI**  
Notary Public for Pasig City  
Commission until 31 December 2016  
22<sup>nd</sup> Floor, JMT Corporate Condominium,  
ADB Ave., Ortigas Center, Pasig City  
APPT No. 157 (2015-2016)/Roll No. 47611  
IBP No. 1017986; 1/5/2016; RSM  
PTR No. 1429354; 1/12/2016; Pasig City

**San Miguel Pure Foods Company Inc.  
and Subsidiaries**

**Consolidated Financial Statements**  
**December 31, 2015**  
*(With Comparative Figures for 2014 and 2013)*

With independent auditor's report provided by



**REYES TACANDONG & Co.**

**FIRM PRINCIPLES. WISE SOLUTIONS.**

COVER SHEET  
for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						<b>1</b>	<b>1</b>	<b>8</b>	<b>4</b>	<b>0</b>
--	--	--	--	--	--	----------	----------	----------	----------	----------

**COMPANY NAME**

[illegible]

**PRINCIPAL OFFICE** (No./Street/Barangay/City/Town/Province)

[illegible]

Form Type

A	A	F	S
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Department requiring the report

<b>C</b>	<b>R</b>	<b>M</b>	<b>D</b>
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Secondary License Type, If Applicable

<b>N</b>	<b>/</b>	<b>A</b>
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## COMPANY INFORMATION

Company's Email Address

[illegible]

Company's Telephone Number/s

317-5000
----------

Mobile Number

\_\_\_\_\_

No. of Stockholders

**Common - 134; Preferred - 95**

Annual Meeting (Month / Day)

May 13

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

**Ms. Zenaida M. Postrado**

Email Address

**zpostrado@smg.sanmiguel.com.ph**

Telephone Number/s

**317-5000**

Mobile Number

Phone Number

**CONTACT PERSON'S ADDRESS**

**23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City**

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.**





## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
San Miguel Pure Foods Company Inc.  
23rd Floor, The JMT Corporate Condominium  
ADB Avenue, Ortigas Center, Pasig City

We have audited the accompanying consolidated financial statements of San Miguel Pure Foods Company Inc. and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Miguel Pure Foods Company Inc. and Subsidiaries as at December 31, 2015, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

*Other Matter*

The consolidated financial statements of San Miguel Pure Foods Company Inc. and Subsidiaries as at and for the years ended December 31, 2014 and 2013 were audited by another auditor whose report dated March 20, 2015, expressed an unmodified opinion on those statements.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2013

Valid until November 26, 2016

PTR No. 5321843

Issued January 5, 2016, Makati City

March 15, 2016

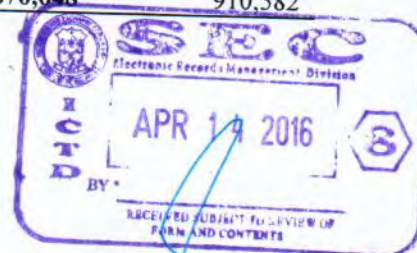
Makati City, Metro Manila

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2015**  
**(With Comparative Figures for 2014)**  
**(Amounts in Thousands)**

	<i>Note</i>	2015	2014
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7, 31, 32	P9,283,850	P14,215,875
Trade and other receivables - net	4, 8, 28, 31, 32	10,164,379	10,827,434
Inventories	4, 9	14,996,684	16,426,482
Biological assets	10	3,318,888	3,319,916
Prepaid expenses and other current assets	11, 31, 32	2,268,314	3,402,485
<b>Total Current Assets</b>		<b>40,032,115</b>	<b>48,192,192</b>
<b>Noncurrent Assets</b>			
Investment property - net	4, 13	635,780	638,736
Property, plant and equipment - net	4, 14	12,435,246	10,719,721
Biological assets - net of current portion	4, 10	2,177,392	1,973,151
Trademarks and other intangible assets - net	4, 15	4,255,082	3,953,382
Deferred tax assets	4, 26	872,331	802,981
Other noncurrent assets	4, 14, 27, 28, 31, 32	629,601	374,792
<b>Total Noncurrent Assets</b>		<b>21,005,432</b>	<b>18,462,763</b>
		<b>P61,037,547</b>	<b>P66,654,955</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Notes payable	16, 31, 32	P3,576,155	P8,753,425
Trade payables and other current liabilities	17, 28, 31, 32	17,004,766	16,231,401
Income tax payable		504,733	305,039
Current maturities of long-term debt - net of debt issue costs	18, 31, 32	64,809	4,491,685
<b>Total Current Liabilities</b>		<b>21,150,463</b>	<b>29,781,550</b>
<b>Noncurrent Liabilities</b>			
Deferred tax liabilities	26	25,978	27,857
Other noncurrent liabilities	4, 27, 31, 32	844,670	882,725
<b>Total Noncurrent Liabilities</b>		<b>870,648</b>	<b>910,582</b>

Forward



	<i>Note</i>	<b>2015</b>	2014
<b>Equity</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	19	<b>P2,008,748</b>	P1,858,748
Additional paid-in capital		<b>35,234,781</b>	20,500,284
Other equity reserves	5	<b>402,002</b>	18,219
Reserve for retirement plan		<b>(561,536)</b>	(470,628)
Cumulative translation reserve		<b>(160,856)</b>	(256,751)
Fair value reserve		<b>4,023</b>	3,323
Retained earnings	19		
Appropriated		<b>6,199,100</b>	1,200,000
Unappropriated		<b>9,328,079</b>	11,564,027
Treasury stock	19	<b>(15,182,094)</b>	(182,094)
		<b>37,272,247</b>	34,235,128
<b>Non-controlling Interests</b>	2, 5	<b>1,744,189</b>	1,727,695
<b>Total Equity</b>		<b>39,016,436</b>	35,962,823
		<b>P61,037,547</b>	P66,654,955

*See Notes to the Consolidated Financial Statements.*

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**(With Comparative Figures for 2014 and 2013)**

(Amounts in Thousands, Except Per Share Data)

	<i>Note</i>	<b>2015</b>	2014	2013
<b>REVENUES</b>	20, 28	<b>P106,860,238</b>	P102,999,401	P99,772,930
<b>COST OF SALES</b>	21, 28, 34	<b>84,109,526</b>	82,514,595	79,547,532
<b>GROSS PROFIT</b>		<b>22,750,712</b>	20,484,806	20,225,398
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>	22, 28	<b>(15,106,720)</b>	(14,021,962)	(14,715,401)
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>	16, 18, 25	<b>(389,470)</b>	(419,676)	(549,606)
<b>INTEREST INCOME</b>	7, 25	<b>180,920</b>	135,851	58,918
<b>GAIN ON SALE OF INVESTMENT, INVESTMENT PROPERTY, AND PROPERTY AND EQUIPMENT</b>	12, 13, 14	<b>97,772</b>	632	394,579
<b>EQUITY IN NET EARNINGS OF AN ASSOCIATE</b>	12	—	—	714,946
<b>OTHER CHARGES - Net</b>	25	<b>(564,536)</b>	(503,716)	(532,796)
<b>INCOME BEFORE INCOME TAX</b>		<b>6,968,678</b>	5,675,935	5,596,038
<b>INCOME TAX EXPENSE</b>	26	<b>2,216,646</b>	1,832,460	1,512,203
<b>NET INCOME</b>		<b>P4,752,032</b>	P3,843,475	P4,083,835
<b>Net Income attributable to:</b>				
Equity holders of the Parent Company		<b>P4,499,555</b>	P3,884,521	P4,096,989
Non-controlling interests		<b>252,477</b>	(41,046)	(13,154)
		<b>P4,752,032</b>	P3,843,475	P4,083,835
<b>Basic and Diluted Earnings per Common Share Attributable to Equity Holders of the Parent Company</b>	29	<b>P21.38</b>	P16.11	P17.38

*See Notes to the Consolidated Financial Statements.*

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(With Comparative Figures for 2014 and 2013)**  
(Amounts in Thousands)

	<i>Note</i>	<b>2015</b>	2014	2013
<b>NET INCOME</b>		<b>₱4,752,032</b>	₱3,843,475	₱4,083,835
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement loss on reserve for retirement plan	27	(133,114)	(50,958)	(210,550)
Income tax benefit	26	39,113	15,287	63,896
Share in other comprehensive loss of an associate - net	12	—	—	(1,144)
		<b>(94,001)</b>	(35,671)	(147,798)
<b>Items that may be reclassified to profit or loss</b>				
Gain (loss) on exchange differences on translation of foreign operations		<b>49,155</b>	(5,342)	1,642
Net gain (loss) on available-for-sale financial assets		<b>718</b>	509	(149)
Income tax benefit (expense)	26	<b>(18)</b>	(51)	15
		<b>49,855</b>	(4,884)	1,508
<b>OTHER COMPREHENSIVE LOSS -</b>				
Net of tax		<b>(44,146)</b>	(40,555)	(146,290)
<b>TOTAL COMPREHENSIVE INCOME - Net of tax</b>		<b>₱4,707,886</b>	₱3,802,920	₱3,937,545
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the Parent Company		<b>₱4,458,114</b>	₱3,843,917	₱3,957,318
Non-controlling interests		<b>249,772</b>	(40,997)	(19,773)
		<b>₱4,707,886</b>	₱3,802,920	₱3,937,545

*See Notes to the Consolidated Financial Statements.*

# SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

(With Comparative Figures for 2014 and 2013)

(Amounts in Thousands)

	Note	Attributable to Equity Holders of the Parent Company												Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Other Equity Reserves	Reserve for Retirement Plan	Cumulative Translation Reserve	Fair Value Reserve	Retained Earnings		Treasury Stock		Total		
		Common Stock	Preferred Stock						Appropriated	Unappropriated	Common Stock	Preferred Stock			
As at January 1, 2015		₱1,708,748	₱150,000	₱20,500,284	₱18,219	(₱470,628)	(₱256,751)	₱3,323	₱1,200,000	₱11,564,027	(₱182,094)	₱–	₱34,235,128	₱1,727,695	₱35,962,823
Gain on exchange differences on translation of foreign operations		–	–	–	–	–	48,767	–	–	–	–	–	48,767	388	49,155
Net gain on available-for-sale financial assets, net of deferred tax		–	–	–	–	–	–	700	–	–	–	–	700	–	700
Remeasurement loss on reserve for retirement plan, net of deferred tax	27	–	–	–	–	(90,908)	–	–	–	–	–	–	(90,908)	(3,093)	(94,001)
Other comprehensive income (loss)		–	–	–	–	(90,908)	48,767	700	–	–	–	–	(41,441)	(2,705)	(44,146)
Net income		–	–	–	–	–	–	–	–	4,499,555	–	–	4,499,555	252,477	4,752,032
Total comprehensive income (loss)		–	–	–	–	(90,908)	48,767	700	–	4,499,555	–	–	4,458,114	249,772	4,707,886
Redemption of outstanding preferred shares	19	–	–	–	–	–	–	–	–	–	–	(15,000,000)	(15,000,000)	–	(15,000,000)
Issuance of perpetual series “2” preferred shares, net of transaction costs	19	–	150,000	14,734,497	–	–	–	–	–	–	–	–	14,884,497	–	14,884,497
Appropriations		–	–	–	–	–	–	–	4,999,100	(4,999,100)	–	–	–	–	–
Divestment of non-controlling interest	5	–	–	–	383,783	–	47,128	–	–	–	–	–	430,911	126,329	557,240
Additions to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	40,393	40,393
Cash dividends	5, 19	–	–	–	–	–	–	–	–	(1,736,403)	–	–	(1,736,403)	(400,000)	(2,136,403)
As at December 31, 2015		₱1,708,748	₱300,000	₱35,234,781	₱402,002	(₱561,536)	(₱160,856)	₱4,023	₱6,199,100	₱9,328,079	(₱182,094)	(₱15,000,000)	₱37,272,247	₱1,744,189	₱39,016,436

Forward

Attributable to Equity Holders of the Parent Company														
		Capital Stock		Additional	Other	Reserve for	Cumulative		Retained Earnings				Non-	Total
	Note	Common Stock	Preferred Stock	Paid-in Capital	Equity Reserves	Retirement Plan	Translation Reserve	Fair Value Reserve	Appropriated	Unappro- priated	Treasury Stock	Total	controlling Interests	Equity
As at January 1, 2014		₱1,708,748	₱150,000	₱20,500,284	₱18,219	(₱434,714)	(₱251,603)	₱2,865	₱750,000	₱17,929,528	(₱182,094)	₱40,191,233	₱2,168,692	₱42,359,925
Loss on exchange differences on translation of foreign operations		–	–	–	–	–	(5,148)	–	–	–	–	(5,148)	(194)	(5,342)
Net gain on available-for-sale financial assets, net of deferred tax		–	–	–	–	–	–	458	–	–	–	458	–	458
Remeasurement gain (loss) on reserve for retirement plan, net of deferred tax	27	–	–	–	–	(35,914)	–	–	–	–	–	(35,914)	243	(35,671)
Other comprehensive income (loss)		–	–	–	–	(35,914)	(5,148)	458	–	–	–	(40,604)	49	(40,555)
Net income (loss)		–	–	–	–	–	–	–	–	3,884,521	–	3,884,521	(41,046)	3,843,475
Total comprehensive income (loss)		–	–	–	–	(35,914)	(5,148)	458	–	3,884,521	–	3,843,917	(40,997)	3,802,920
Appropriations	19	–	–	–	–	–	–	–	450,000	(450,000)	–	–	–	–
Cash dividends	5, 19	–	–	–	–	–	–	–	–	(9,800,022)	–	(9,800,022)	(400,000)	(10,200,022)
As at December 31, 2014		₱1,708,748	₱150,000	₱20,500,284	₱18,219	(₱470,628)	(₱256,751)	₱3,323	₱1,200,000	₱11,564,027	(₱182,094)	₱34,235,128	₱1,727,695	₱35,962,823
As at January 1, 2013		₱1,708,748	₱150,000	₱20,500,284	₱18,219	(₱290,506)	(₱257,418)	₱4,143	₱750,000	₱15,832,541	(₱182,094)	₱38,233,917	₱2,788,465	₱41,022,382
Gain (loss) on exchange differences on translation of foreign operations		–	–	–	–	–	5,815	–	–	–	–	5,815	(4,173)	1,642
Net loss on available-for-sale financial assets, net of deferred tax		–	–	–	–	–	–	(134)	–	–	–	(134)	–	(134)
Remeasurement loss on reserve for retirement plan, net of deferred tax	27	–	–	–	–	(144,208)	–	–	–	–	–	(144,208)	(2,446)	(146,654)
Share in other comprehensive loss of an associate - net	12	–	–	–	–	–	–	(1,144)	–	–	–	(1,144)	–	(1,144)
Other comprehensive income (loss)		–	–	–	–	(144,208)	5,815	(1,278)	–	–	–	(139,671)	(6,619)	(146,290)
Net income (loss)		–	–	–	–	–	–	–	–	4,096,989	–	4,096,989	(13,154)	4,083,835
Total comprehensive income (loss)		–	–	–	–	(144,208)	5,815	(1,278)	–	4,096,989	–	3,957,318	(19,773)	3,937,545
Cash dividends	5, 19	–	–	–	–	–	–	–	–	(2,000,002)	–	(2,000,002)	(600,000)	(2,600,002)
As at December 31, 2013		₱1,708,748	₱150,000	₱20,500,284	₱18,219	(₱434,714)	(₱251,603)	₱2,865	₱750,000	₱17,929,528	(₱182,094)	₱40,191,233	₱2,168,692	₱42,359,925

See Notes to the Consolidated Financial Statements.

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**(With Comparative Figures for 2014 and 2013)**

(Amounts in Thousands)

	<i>Note</i>	<b>2015</b>	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>₱6,968,678</b>	₱5,675,935	₱5,596,038
Adjustments for:				
Depreciation and amortization	23, 25	<b>3,041,528</b>	2,844,329	2,639,083
Interest expense and other financing charges	25	<b>389,470</b>	419,676	549,606
Provisions for impairment losses on receivables and write-down of inventories		<b>330,477</b>	452,227	258,961
Impairment loss on idle assets and goodwill	15, 25	<b>253,234</b>	250,947	—
Interest income	25	<b>(180,920)</b>	(135,851)	(58,918)
Gain on sale of investment, investment property, and property and equipment	12, 13, 14	<b>(97,772)</b>	(632)	(394,579)
Other charges (income) net of loss (gain) on derivative transactions		<b>28,896</b>	(198,091)	249,566
Gain on fair valuation of agricultural produce	20	<b>(28,878)</b>	(43,659)	(93,201)
Equity in net earnings of an associate	12	<b>—</b>	—	(714,946)
Operating income before working capital changes		<b>10,704,713</b>	9,264,881	8,031,610
Decrease (increase) in:				
Trade and other receivables		<b>687,770</b>	735,000	(701,164)
Inventories		<b>1,127,494</b>	(1,972,115)	676,419
Biological assets		<b>1,028</b>	107,366	341,719
Prepaid expenses and other current assets		<b>1,130,840</b>	(680,343)	(449,483)
Increase in trade payables and other current liabilities		<b>784,919</b>	590,098	1,196,834
Cash generated from operations		<b>14,436,764</b>	8,044,887	9,095,935
Income taxes paid		<b>(2,069,177)</b>	(1,981,614)	(1,630,355)
Interest paid		<b>(392,652)</b>	(417,116)	(540,730)
Interest received		<b>149,162</b>	139,903	70,900
Increase (decrease) in retirement liability		<b>(129,546)</b>	(46,732)	71,858
Net cash flows provided by operating activities		<b>11,994,551</b>	5,739,328	7,067,608

*Forward*



	<i>Note</i>	<b>2015</b>	2014	2013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of property, plant and equipment	14	<b>(P3,127,786)</b>	(P647,458)	(P1,977,893)
Increase in biological assets and other noncurrent assets		<b>(2,214,933)</b>	(1,633,833)	(1,600,328)
Acquisitions of intangible assets	15	<b>(464,351)</b>	(70,932)	(42,784)
Proceeds from sale of investment, investment property, and property and equipment	12, 13, 14	<b>103,476</b>	13,887,119	7,734
Dividends received from an associate	12	—	—	602,727
Net cash flows provided by (used in) investing activities		<b>(5,703,594)</b>	11,534,896	(3,010,544)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of notes payable		<b>(271,071,322)</b>	(207,594,065)	(179,434,957)
Availments of notes payable		<b>265,897,684</b>	207,701,509	180,722,968
Redemption of outstanding preferred shares	19	<b>(15,000,000)</b>	—	—
Proceeds from issuance of perpetual series "2" preferred shares, net of transaction costs	19	<b>14,884,497</b>	—	—
Payments of current maturities of long-term debt	18	<b>(4,500,000)</b>	—	—
Cash dividends paid		<b>(2,067,587)</b>	(10,196,236)	(2,598,989)
Proceeds from divestment of non-controlling interest	5	<b>557,240</b>	—	—
Availments of long-term debt	18	<b>64,809</b>	—	—
Proceeds from addition to non-controlling interest		<b>15,190</b>	—	—
Net cash flows used in financing activities		<b>(11,219,489)</b>	(10,088,792)	(1,310,978)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		<b>(3,493)</b>	(500)	4,439
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>(4,932,025)</b>	7,184,932	2,750,525
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>14,215,875</b>	7,030,943	4,280,418
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
		<b>P9,283,850</b>	P14,215,875	P7,030,943

See Notes to the Consolidated Financial Statements.

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## **SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**(With Comparative Information for 2014 and 2013)**

(Amounts in Thousands, Unless Otherwise Indicated)

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#### **1. Reporting Entity**

San Miguel Pure Foods Company Inc. (SMPFC or the Parent Company), a subsidiary of San Miguel Corporation (SMC or the Intermediate Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) in October 1956 for a term of 50 years. On August 8, 2006, the stockholders approved the amendment to the Articles of Incorporation of SMPFC, extending the term for which the corporation is to exist for another 50 years from October 30, 2006 or until October 30, 2056. The amendment was subsequently approved by the SEC.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed in the Philippine Stock Exchange (PSE) since 1973. Top Frontier Investment Holdings, Inc. (Top Frontier) is the ultimate parent company of SMPFC and its Subsidiaries (collectively referred to as the "Group"). The accompanying consolidated financial statements comprise the financial statements of the Group.

The Group is engaged in various business activities, including poultry operations, livestock farming and processing and selling of meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of feeds and flour products, cooking oils, breadfill, desserts and dairy-based products, biscuits (beginning February 2015) and powder mixes (beginning October 2015), importation and marketing of coffee and coffee-related products, and grain terminal handling.

The registered office address of the Parent Company is at 23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City.

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#### **2. Basis of Preparation**

##### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 15, 2016.

### Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting, except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Available-for-sale (AFS) financial assets	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded off to the nearest thousand (₱000), except when otherwise indicated.

### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Country of Incorporation	Percentage of Ownership	
		2015	2014
San Miguel Mills, Inc. (SMMI) [including Golden Bay Grain Terminal Corporation (GBGTC) and Golden Avenue Corp.]	Philippines	100.00	100.00
Magnolia, Inc. (Magnolia) [including Sugarland Corporation and Golden Food & Dairy Creamery Corporation (GFDCC)]	Philippines	100.00	100.00
San Miguel Foods, Inc. (SMFI)	Philippines	99.99	99.97
PT San Miguel Pure Foods Indonesia (PTSMPI)	Indonesia	75.00	75.00
San Miguel Super Coffeemix Co., Inc. (SMSCCI)	Philippines	70.00	70.00
The Purefoods-Hormel Company, Inc. (PF-Hormel)	Philippines	60.00	60.00
RealSnacks Mfg. Corp. <sup>(a)</sup>	Philippines	100.00	100.00
San Miguel Pure Foods International, Limited (SMPFIL) [including San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd. (SMPFVN, formerly San Miguel Hormel (VN) Co., Ltd. (SMHVN))]	British Virgin Islands	100.00	100.00

*(a) Incorporated in April 2004 and has not yet started commercial operations.*

A subsidiary is an entity controlled by the Group. The Group controls an entity if and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests represent the interests not held by the Parent Company in SMFI, PTSMPFI, SMSCCI and PF-Hormel in 2015, and in SMFI, PTSMPFI, SMSCCI, PF-Hormel and SMPFI Limited in 2014 (Note 5).

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and, (iii) reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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### 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

#### Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

### *Amendments to Standards and Interpretation Adopted in 2015*

The Group has adopted the following PFRS effective January 1, 2015 and accordingly, changed its accounting policies in the following areas:

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group:
  - *Meaning of 'Vesting Condition' (Amendment to PFRS 2, Share-based Payment)*. PFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies the following: (i) how to distinguish between a market and a non-market performance condition; and (ii) the basis on which a performance condition can be differentiated from a non-vesting condition. The adoption of the amendment did not have an effect on the consolidated financial statements.
  - *Scope Exclusion for the Formation of Joint Arrangements (Amendment to PFRS 3, Business Combinations)*. PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in PFRS 11, *Joint Arrangements* - i.e., including joint operations - in the financial statements of the joint arrangements themselves. The adoption of the amendment did not have an effect on the consolidated financial statements.
  - *Disclosures on the Aggregation of Operating Segments (Amendments to PFRS 8, Operating Segments)*. PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The adoption of the amendments did not have an effect on the consolidated financial statements.
  - *Scope of Portfolio Exception (Amendment to PFRS 13, Fair Value Measurement)*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis (portfolio exception) applies to contracts within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities under PAS 32, *Financial Instruments: Presentation* - e.g., certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The adoption of the amendment did not have an effect on the consolidated financial statements.

- Definition of 'Related Party' (*Amendments to PAS 24, Related Party Disclosures*). The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g., loans. The adoption of the amendments did not have an effect on the consolidated financial statements.
- Inter-relationship of PFRS 3 and PAS 40, *Investment Property (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3. The adoption of the amendment did not have an effect on the consolidated financial statements.
- Classification and Measurement of Contingent Consideration (*Amendments to PFRS 3*). The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to PAS 32, rather than to any other PFRS. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to PAS 39 and PFRS 9 to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is amended to exclude provisions related to contingent consideration. The adoption of the amendments did not have an effect on the consolidated financial statements.

Additional disclosures required by the amended standards were included in the consolidated financial statements, where applicable.

#### *New and Amended Standards Not Yet Adopted*

A number of new and amended standards are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amended standards on the respective effective dates:

- Disclosure Initiative (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments clarify the following: (i) the materiality requirements in PAS 1; (ii) that specific line items in the consolidated statement of income, the consolidated statement of comprehensive income and the consolidated statement of financial position may be disaggregated; (iii) that entities have flexibility as to the order in which they present the notes to the consolidated financial statements; and (iv) that share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position, the consolidated statement of income and the consolidated statement of comprehensive income. The amendments are required to be applied for annual periods beginning on or after January 1, 2016. Early adoption is permitted.
- Accounting for Acquisitions of Interests in Joint Operations (*Amendments to PFRS 11*). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.
- Clarification of Acceptable Methods of Depreciation and Amortization (*Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets*). The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early application is permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates*). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business whether it is housed in a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which *Changes in Method for Disposal (Amendments to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations)* is applicable to the Group. PFRS 5 is amended to clarify that: (a) if an entity changes the method of disposal of an asset or disposal group - i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale, or vice versa, without any time lag - the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value of the asset or disposal group, less costs to sell or distribute; and (b) if an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed. The amendments to PFRS 5 are applied prospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to changes in methods of disposal that occur on or after January 1, 2016.
  
- PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment of all financial assets that are not measured at fair value through profit or loss (FVPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset, and supplements the new general hedge accounting requirements published in 2013. The new model on hedge accounting requirements provides significant improvements by aligning hedge accounting more closely with risk management. The new standard is required to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.
  
- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced. PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.



### Financial Assets and Financial Liabilities

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

*Initial Recognition of Financial Instruments.* Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs.

*'Day 1' Difference.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

### Financial Assets

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, AFS financial assets and held-to-maturity (HTM) investments. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no financial assets classified as HTM investments as at December 31, 2015 and 2014.

*Financial Assets at FVPL.* A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair values in accordance with the documented risk management or investment strategy of the Group. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;
- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. Fair value changes and realized gains or losses are recognized in profit or loss. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statement of changes in equity. Any interest earned is recognized as part of “Interest income” account in the consolidated statement of income. Any dividend income from equity securities classified as at FVPL is recognized in profit or loss when the right to receive payment has been established.

The Group’s derivative assets are classified under this category (Notes 11, 28, 31 and 32).

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of “Interest income” account in the consolidated statement of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of “Interest income” account in the consolidated statement of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group’s cash and cash equivalents and trade and other receivables are included under this category (Notes 7, 8, 31 and 32).

*AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the “Fair value reserve” account in the consolidated statement of changes in equity. The effective yield component of AFS debt securities is reported as part of “Interest income” account in the consolidated statement of income. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive the payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group's investments in shares of stock included under "Other noncurrent assets" account are classified under this category (Notes 31 and 32).

#### Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Financial Liabilities at FVPL.* Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statement of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statement of income.

The Group's derivative liabilities are classified under this category (Notes 17, 28, 31 and 32).

*Other Financial Liabilities.* This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statement of income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Group's liabilities arising from its trade or borrowings such as notes payable, trade payables and other current liabilities, long-term debt and other noncurrent liabilities are included under this category (Notes 16, 17, 18, 31 and 32).

#### Derivative Financial Instruments and Hedging

##### Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either:

- (a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
- (b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- (c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

*Fair Value Hedge.* Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in profit or loss. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The Group discontinues fair value hedge accounting if:

- (a) the hedging instrument expires, is sold, is terminated or is exercised;
- (b) the hedge no longer meets the criteria for hedge accounting; or
- (c) the Group revokes the designation.

The Group has no outstanding derivatives accounted for as a fair value hedge as at December 31, 2015 and 2014.

*Cash Flow Hedge.* Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statement of changes in equity. The ineffective portion is immediately recognized in profit or loss.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in equity are transferred from equity to profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in profit or loss.

The Group has no outstanding derivatives accounted for as a cash flow hedge as at December 31, 2015 and 2014.

*Net Investment Hedge.* Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in equity is transferred to and recognized in profit or loss.

The Group has no hedge of a net investment in a foreign operation as at December 31, 2015 and 2014.

Changes in fair values of derivatives that do not qualify for hedge accounting are recognized directly in profit or loss.

#### *Embedded Derivatives*

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has not bifurcated any embedded derivatives as at December 31, 2015 and 2014.

#### Derecognition of Financial Assets and Financial Liabilities

*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

#### Impairment of Financial Assets

The Group assesses, at the reporting date, whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

*Assets Carried at Amortized Cost.* For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in the collective impairment assessment.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

*AFS Financial Assets.* For equity instruments carried at fair value, the Group assesses, at each reporting date, whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost. The Group generally regards fair value decline as being significant when the decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Impairment losses in respect of equity instruments classified as AFS financial assets are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

For debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. If, in subsequent period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

#### Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

#### Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

#### Inventories

Finished goods, goods in process and materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

- |   |  |
|---|--|
| Finished goods and goods in process                                 | - using the moving average method; cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce. |
| Raw materials, feeds, feed ingredients, factory supplies and others | - using the moving average method.   |

*Finished Goods.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

*Goods in Process.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

*Raw Materials, Feeds, Feed Ingredients, Factory Supplies and Others.* Net realizable value is the current replacement cost.



### Biological Assets and Agricultural Produce

The Group's biological assets include breeding stocks, growing hogs, cattle and poultry livestock, and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, cattle and poultry livestock, and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

The carrying amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The Group's agricultural produce, which consists of grown broilers and marketable hogs and cattle harvested from the Group's biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs and cattle, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers, hogs and cattle or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

	Amortization Period
Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Cattle	2.5 - 3 years
Poultry breeding stock	40 - 44 weeks

### Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

- *Goodwill in a Business Combination*

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- *Intangible Assets Acquired in a Business Combination*

The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in profit or loss.

#### Transactions under Common Control

Transactions under common control entered into in contemplation of each other and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

Transfers of assets between commonly-controlled entities are accounted for using book value accounting.

#### Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

#### Investment in Shares of Stock of an Associate

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of the investee, but is not control over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investment in shares of stock of an associate is accounted for using the equity method.

Under the equity method, the investment in shares of stock of an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of an associate is recognized as "Equity in net earnings (losses) of an associate" account in the consolidated statement of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income (loss) of an associate" account in the consolidated statement of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss with respect to the Group's net investment in the shares of stock of an associate. At each reporting date, the Group determines whether there is objective evidence that the investment in shares of stock of an associate is impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate. Such impairment loss is recognized as part of "Equity in net earnings (losses) of an associate" account in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in shares of stock of an associate upon loss of significant influence, and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

#### Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation of buildings and improvements, which commences when the assets are available for their intended use, is computed using the straight-line method over the estimated useful life of 20 to 40 years.

The useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 10
Buildings and improvements	5 - 50
Machinery and equipment	5 - 20
Office furniture and equipment	3 - 5
Transportation equipment	5
Factory furniture, equipment and others	2 - 5

The remaining useful lives, residual values and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement and disposal.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally-generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization of computer software and licenses is computed using the straight-line method over the estimated useful life of 2 to 8 years.

The Group assessed the useful lives of trademarks and brand names, formulas and recipes, and franchise to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Trademarks and brand names, formulas and recipes, and franchise with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

### Impairment of Non-financial Assets

The carrying amounts of property, plant and equipment, investment property, biological assets - net of current portion, other intangible assets with finite useful lives and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks and brand names, formulas and recipes, and franchise with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Fair Value Measurements

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

#### Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

#### Capital Stock and Additional Paid-in Capital

##### *Common Shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

##### *Preferred Shares*

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Parent Company's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.



#### *Additional Paid-in Capital*

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

#### *Treasury Shares*

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company’s own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Revenue from Sale of Goods*

Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery and the amount of revenue can be measured reliably.

#### *Revenue from Agricultural Produce*

Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

#### *Revenue from Terminal Handling*

Revenue from terminal fees is recognized based on the quantity of items declared by vessels entering the port multiplied by a predetermined rate.

Revenue from usage fees is recognized based on the gross weight of vessels entering the port multiplied by a predetermined rate.

#### *Others*

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend income is recognized when the Group’s right to receive the payment is established.

Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Gain or loss on sale of investments in shares of stock is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate, AFS financial assets and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

#### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

#### Share-based Payment Transactions

Under SMC's Employee Stock Purchase Plan (ESPP), executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby the executives and employees render services as consideration for equity instruments of SMC. Such transactions are handled centrally by SMC.

Share-based payment transactions in which SMC grants option rights to its equity instruments directly to the Group's employees are accounted for as equity-settled transactions. SMC charges the Group for the costs related to such transactions with its employees. The amount is recognized in profit or loss by the Group.

The cost of ESPP is measured by reference to the market price at the time of the grant less subscription price. The cumulative expense recognized for share-based payment transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and SMC's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

### *Operating Lease*

*Group as Lessee.* Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

*Group as Lessor.* Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

### Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

### Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

## Employee Benefits

### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### *Retirement Costs*

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability or asset
- Remeasurements of defined benefit retirement liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in profit or loss.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

## Foreign Currency

### *Foreign Currency Translations*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of AFS financial assets, a financial liability designated as an effective hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income.

### *Foreign Operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the “Cumulative translation reserve” account in the consolidated statement of changes in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the “Cumulative translation reserve” account in the consolidated statement of changes in equity.

## Taxes

*Current Tax.* Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

*Deferred Tax.* Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and associate, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-added Tax (VAT).* Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Trade payables and other current liabilities” accounts in the consolidated statement of financial position.

#### Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm’s length basis in a manner similar to transactions with non-related parties.

#### Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of the shares issuable to employees and executives under the Long-term Incentive Plan for Stock Options of SMC, which are assumed to be exercised at the date of grant.

Where the effect of the assumed conversion of shares issuable to employees and executives under the stock purchase and option plans of SMC would be anti-dilutive, diluted EPS is not presented.

As at December 31, 2015, 2014 and 2013, the Group has no dilutive equity instruments.

### Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

### Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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## **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:



*Measurement of Biological Assets.* Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, cattle and poultry livestock, and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

*Operating Lease Commitments - Group as Lessor/Lessee.* The Group has entered into various lease agreements either as a lessor or a lessee. The Group has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases while the significant risks and rewards for property leased from third parties are retained by the lessors.

Rent income recognized in the consolidated statements of income amounted to ₱22.2 million in 2015, 2014 and 2013 (Note 30).

Rent expense recognized in the consolidated statements of income amounted to ₱2,093.2 million, ₱1,687.6 million and ₱1,470.4 million in 2015, 2014 and 2013, respectively (Notes 21, 22 and 30).

*Contingencies.* The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 34).

#### Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

*Fair Value Measurements.* A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 13, 27 and 32.

*Allowance for Impairment Losses on Trade and Other Receivables.* Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded selling and administrative expenses and decrease current assets.

The allowance for impairment losses on trade and other receivables amounted to ₱650.0 million and ₱635.6 million as at December 31, 2015 and 2014, respectively (Note 8).

The carrying amount of trade and other receivables amounted to ₱10,164.4 million and ₱10,827.4 million as at December 31, 2015 and 2014, respectively (Note 8).

*Write-down of Inventory.* The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The allowance for inventory write-down amounted to ₱368.5 million and ₱311.5 million as at December 31, 2015 and 2014, respectively.

The carrying amount of inventories amounted to ₱14,996.7 million and ₱16,426.5 million as at December 31, 2015 and 2014, respectively (Note 9).

*Impairment of AFS Financial Assets.* AFS financial assets are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

No impairment loss was recognized in 2015, 2014 and 2013.

The carrying amount of AFS financial assets amounted to ₱10.7 million and ₱10.0 million as at December 31, 2015 and 2014, respectively (Notes 31 and 32).

*Estimated Useful Lives of Property, Plant and Equipment and Investment Property.* The Group estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment and investment property would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Investment property, net of accumulated depreciation and impairment losses, amounted to ₱635.8 million and ₱638.7 million as at December 31, 2015 and 2014, respectively. Accumulated depreciation and impairment losses of investment property amounted to ₱11.0 million and ₱12.2 million as at December 31, 2015 and 2014, respectively (Note 13).

Property, plant and equipment, net of accumulated depreciation, amounted to ₱12,435.2 million and ₱10,719.7 million as at December 31, 2015 and 2014, respectively. Accumulated depreciation of property, plant and equipment amounted to ₱9,766.8 million and ₱10,299.5 million as at December 31, 2015 and 2014, respectively (Note 14).

*Estimated Useful Lives of Intangible Assets.* The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives amounted to ₱266.9 million and ₱418.4 million as at December 31, 2015 and 2014, respectively (Note 15).

*Impairment of Goodwill, Trademarks and Brand Names, Formulas and Recipes, and Franchise with Indefinite Useful Lives.* The Group determines whether goodwill, trademarks and brand names, formulas and recipes, and franchise are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names, formulas and recipes, and franchise. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names, formulas and recipes, and franchise and to choose a suitable discount rate to calculate the present value of those cash flows.

Accumulated impairment loss on goodwill amounted to ₱250.9 million as at December 31, 2015 and 2014 (Note 15).

The carrying amount of goodwill amounted to ₱177.0 million as at December 31, 2015 and 2014 (Note 15).

The carrying amount of trademarks and brand names, formulas and recipes, and franchise amounted to ₱3,811.1 million and ₱3,358.0 million as at December 31, 2015 and 2014, respectively (Note 15).

*Acquisition Accounting.* The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date. The Group's acquisitions have resulted in the recognition of goodwill and other intangible assets with indefinite lives.

The combined carrying amounts of goodwill and other intangible assets with indefinite lives arising from business combinations amounted to ₱244.6 million and ₱244.8 million as at December 31, 2015 and 2014, respectively (Note 15).

*Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to ₱872.3 million and ₱803.0 million as at December 31, 2015 and 2014, respectively (Note 26).

Deferred tax assets were not recognized on carryforward benefits of NOLCO and excess MCIT with income tax effect amounting to ₱226.2 million as at December 31, 2015 (Note 26). Management believes that it may not be probable that sufficient future taxable profits will be available against which the deferred tax assets can be utilized.

*Impairment of Non-financial Assets.* PFRS requires that an impairment review be performed on property, plant and equipment, investment property, biological assets - net of current portion, other intangible assets with finite useful lives and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on investment property and idle assets amounted to ₱339.5 million and ₱86.9 million as at December 31, 2015 and 2014, respectively (Notes 13 and 14).

The combined carrying amounts of biological assets - net of current portion, investment property, property, plant and equipment, other intangible assets with finite useful lives, and idle assets amounted to ₱15,788.1 million and ₱13,836.3 million as at December 31, 2015 and 2014, respectively (Notes 10, 13, 14 and 15).

*Present Value of Defined Benefit Retirement Obligation.* The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 27 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

The present value of defined benefit retirement obligation amounted to ₱3,401.9 million and ₱3,214.5 million as at December 31, 2015 and 2014, respectively (Note 27).

*Asset Retirement Obligation.* Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as at December 31, 2015 and 2014.

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## 5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments in subsidiaries:

- a. In January 2015, SMPFIL, a wholly-owned subsidiary of SMPFC, signed an agreement for the purchase from Hormel Netherlands B. V. (Hormel) of the latter's 49% of the issued share capital of SMPFI Limited. SMPFIL already owned 51% interest in SMPFI Limited prior to the acquisition. SMPFI Limited is the sole investor in SMHVN, a company incorporated in Vietnam, which is licensed to engage in live hog farming and the production of feeds and fresh and processed meats.

Following the acquisition, SMPFI Limited became a wholly-owned subsidiary of SMPFIL. Consequently, Hormel's non-controlling interest amounting to P126.3 million as at January 2015 was derecognized. As part of the agreement, Hormel paid its share of the cash requirement to settle SMHVN's obligations, including estimated contingent liabilities and costs to temporarily close the farm and feed mill operations. This resulted in the recognition of other equity reserves amounting to P383.8 million presented as part of "Other equity reserves" account in the 2015 consolidated statement of financial position.

With the divestment made by Hormel, SMHVN changed its corporate name to San Miguel Pure Foods (VN) Co., Ltd. in June 2015 following the issuance of the Binh Duong People's Committee of the amended business license of SMHVN.

- b. In December 2015, the BOD and shareholders of SMMI approved, among others, the: (i) increase in SMMI's authorized capital stock by P2,000.0 million, equivalent to 20,000,000 common shares at P100.00 par value per share, and (ii) declaration of stock dividend in favor of SMPFC amounting to P2,000.0 million, the equivalent number of common shares of which totalling 20,000,000 will be taken from the proposed increase in authorized capital stock.
- c. In December 2015, the BOD and shareholders of PF-Hormel approved the: (i) increase in PF-Hormel's authorized capital stock by P2,000.0 million, equivalent to 2,000,000,000 common shares at P1.00 par value per share, and (ii) declaration of stock dividend in favor of existing shareholders amounting to P2,000.0 million, the equivalent number of common shares of which totalling 2,000,000,000 will be taken from the proposed increase in authorized capital stock.

The details of the Group's material non-controlling interests are as follows:

	December 31, 2015			December 31, 2014			
	PF- HORMEL	SMSCCI	PTSMPI	PF- HORMEL	SMSCCI	SMPFI Limited*	PTSMPI
Percentage of non-controlling interests	40%	30%	25%	40%	30%	49%	25%
Carrying amount of non-controlling interests	P1,769,056	(P61,342)	P33,387	P1,824,524	(P13,189)	(P112,541)	P26,199
Net income (loss) attributable to non-controlling interests	P347,306	(P63,555)	(P17,975)	P261,201	(P29,250)	(P265,714)	(P7,674)
Other comprehensive income (loss) attributable to non-controlling interests	(P2,774)	P27	(P40)	P326	(P53)	P-	(P217)
Dividends declared to non-controlling interests	P400,000	P-	P-	P400,000	P-	P-	P-

Summarized financial information of investments in subsidiaries with material non-controlling interests:

	December 31, 2015			December 31, 2014			
	PF- HORMEL	SMSCCI	PTSMPI	PF- HORMEL	SMSCCI	SMPFI Limited*	PTSMPI
Current assets	P5,855,773	P373,931	P292,991	P5,500,837	P672,946	P192,940	P294,053
Noncurrent assets	3,278,456	106,517	75,701	3,696,683	127,370	619,787	63,671
Current liabilities	(4,674,301)	(684,031)	(249,342)	(4,606,780)	(844,664)	(718,676)	(263,824)
Noncurrent liabilities	(37,289)	(891)	(30,256)	(29,430)	(1,060)	(522,776)	(34,144)
<b>Net assets</b>	<b>P4,422,639</b>	<b>(P204,474)</b>	<b>P89,094</b>	<b>P4,561,310</b>	<b>(P45,408)</b>	<b>(P428,725)</b>	<b>P59,756</b>
Revenues	P16,251,709	P710,952	P616,693	P15,069,154	P929,160	P1,055,223	P729,199
Net income (loss)	P868,265	(P210,406)	(P69,176)	P653,005	(P98,944)	(P276,637)	(P31,265)
Other comprehensive income (loss)	(6,936)	90	-	816	(176)	-	-
<b>Total comprehensive income (loss)</b>	<b>P861,329</b>	<b>(P210,316)</b>	<b>(P69,176)</b>	<b>P653,821</b>	<b>(P99,120)</b>	<b>(P276,637)</b>	<b>(P31,265)</b>
Cash flows provided by (used in) operating activities	P872,823	P34,136	(P52,293)	P1,655,728	(P107,420)	P166,019	(P81,279)
Cash flows provided by (used in) investing activities	197,149	-	(21,150)	(165,856)	-	70,155	36,986
Cash flows provided by (used in) financing activities	(1,015,944)	(23,617)	79,302	(1,463,149)	110,756	(214,017)	48,594
Effects of exchange rate changes on cash and cash equivalents	-	-	(1,100)	-	142	(95)	(397)
<b>Net increase in cash and cash equivalents</b>	<b>P54,028</b>	<b>P10,519</b>	<b>P4,759</b>	<b>P26,723</b>	<b>P3,478</b>	<b>P22,062</b>	<b>P3,904</b>

\*including SMPFVN

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## 6. Segment Information

### Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three reportable segments, namely: Agro-Industrial, Value-Added Meats and Milling. Management identified and grouped the operating units in its operating segments with the objective of transforming the Group into a more rationalized and focused organization. The structure aims to boost efficiencies across the Group and raise effectiveness in defining and meeting the needs of consumers in innovative ways.

The Agro-Industrial segment includes the integrated Feeds, and Poultry and Fresh Meats operations. These businesses are involved in feeds production and in poultry and livestock farming, processing and selling of poultry and meat products.

The Value-Added Meats segment is engaged in the processing and marketing of value-added refrigerated processed meats and canned meat products.

The Milling segment is into manufacturing and marketing of flour, flour mixes and bakery ingredients, and is engaged in grain terminal handling.

The non-reportable operating segments of the Group include dairy-based products, breadfill, desserts, cooking oils, biscuits (beginning February 2015) and powder mixes (beginning October 2015), importation and marketing of coffee and coffee-related products, and foreign operations which include hog farming, feeds production and sale of fresh and processed meats by foreign subsidiaries.

### Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade payables and other current liabilities, and other noncurrent liabilities, excluding interest and dividends payable. Segment assets and liabilities do not include deferred income taxes.

### Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

### Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.



## Operating Segments

Financial information about reportable segments follows:

	Agro-Industrial			Value-Added Meats			Milling			Total Reportable Segments			Dairy and Others			Eliminations			Consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
<i>(Amounts in Millions)</i>																					
Revenues																					
External	<b>P70,847</b>	P68,181	P64,383	<b>P16,191</b>	P15,033	P14,876	<b>P8,905</b>	P8,854	P8,693	<b>P95,943</b>	P92,068	P87,952	<b>P10,917</b>	P10,931	P11,821	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P106,860</b>	P102,999	P99,773
Inter-segment	<b>1,712</b>	1,467	1,137	<b>61</b>	36	57	<b>1,351</b>	1,062	751	<b>3,124</b>	2,565	1,945	<b>218</b>	234	269	<b>(3,342)</b>	(2,799)	(2,214)	<b>-</b>	<b>-</b>	<b>-</b>
Total revenues	<b>P72,559</b>	P69,648	P65,520	<b>P16,252</b>	P15,069	P14,933	<b>P10,256</b>	P9,916	P9,444	<b>P99,067</b>	P94,633	P89,897	<b>P11,135</b>	P11,165	P12,090	<b>(P3,342)</b>	(P2,799)	(P2,214)	<b>P106,860</b>	P102,999	P99,773
Result																					
Segment operating result	<b>P2,791</b>	P2,579	P1,956	<b>P1,306</b>	P964	P990	<b>P2,103</b>	P2,338	P2,021	<b>P6,200</b>	P5,881	P4,967	<b>P1,448</b>	P581	P545	<b>(P4)</b>	<b>P1</b>	<b>(P2)</b>	<b>P7,644</b>	P6,463	P5,510
Interest expense and other financing charges	<b>(244)</b>	(241)	(345)	<b>(34)</b>	(51)	(61)	<b>(39)</b>	(35)	(10)	<b>(317)</b>	(327)	(416)	<b>(74)</b>	(126)	(157)	<b>2</b>	<b>33</b>	23	<b>(389)</b>	(420)	(550)
Interest income	<b>28</b>	2	6	<b>3</b>	34	26	<b>12</b>	11	6	<b>43</b>	47	38	<b>140</b>	122	44	<b>(2)</b>	<b>(33)</b>	(23)	<b>181</b>	136	59
Equity in net earnings of an associate	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	715	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	715
Gain on sale of investment, investment property, and property and equipment	<b>99</b>	1	-	<b>-</b>	-	-	<b>-</b>	-	2	<b>99</b>	1	2	<b>(1)</b>	-	393	<b>-</b>	<b>-</b>	<b>-</b>	<b>98</b>	1	395
Other income (charges) - net	<b>(107)</b>	(214)	(161)	<b>(24)</b>	(6)	(10)	<b>(4)</b>	17	(321)	<b>(135)</b>	(203)	(492)	<b>(430)</b>	(301)	(41)	<b>-</b>	<b>-</b>	<b>-</b>	<b>(565)</b>	(504)	(533)
Income tax expense	<b>(762)</b>	(625)	(415)	<b>(384)</b>	(288)	(284)	<b>(578)</b>	(678)	(515)	<b>(1,724)</b>	(1,591)	(1,214)	<b>(503)</b>	(249)	(301)	<b>10</b>	7	3	<b>(2,217)</b>	(1,833)	(1,512)
Net income	<b>P1,805</b>	P1,502	P1,041	<b>P867</b>	P653	P661	<b>P1,494</b>	P1,653	P1,183	<b>P4,166</b>	P3,808	P2,885	<b>P580</b>	P27	P1,198	<b>P6</b>	<b>P8</b>	<b>P1</b>	<b>P4,752</b>	P3,843	P4,084
Net income attributable to:																					
Equity holders of the Parent Company																			<b>P4,500</b>	P3,884	P4,097
Non-controlling interests																			<b>252</b>	(41)	(13)
Net income																			<b>P4,752</b>	P3,843	P4,084
Other Information																					
Segments assets	<b>P26,623</b>	P27,426	P25,176	<b>P8,831</b>	P8,938	P8,930	<b>P8,627</b>	P7,407	P6,923	<b>P44,081</b>	P43,771	P41,029	<b>P53,509</b>	P23,783	P31,992	<b>(P41,679)</b>	(P5,655)	(P5,312)	<b>P55,911</b>	P61,899	P67,709
Trademarks and other intangible assets - net	<b>70</b>	84	61	<b>226</b>	232	239	<b>40</b>	54	-	<b>336</b>	370	300	<b>5,237</b>	4,901	5,312	<b>(1,318)</b>	(1,318)	(1,318)	<b>4,255</b>	3,953	4,294
Deferred tax assets	<b>457</b>	410	345	<b>74</b>	29	53	<b>20</b>	10	72	<b>551</b>	449	470	<b>250</b>	297	212	<b>71</b>	57	57	<b>872</b>	803	739
Consolidated total assets	<b>P27,150</b>	P27,920	P25,582	<b>P9,131</b>	P9,199	P9,222	<b>P8,687</b>	P7,471	P6,995	<b>P44,968</b>	P44,590	P41,799	<b>P58,996</b>	P28,981	P37,516	<b>(P42,926)</b>	(P6,916)	(P6,573)	<b>P61,038</b>	P66,655	P72,742
Segment liabilities	<b>P10,815</b>	P10,107	P9,414	<b>P2,943</b>	P2,948	P2,071	<b>P1,241</b>	P1,366	P1,533	<b>P14,999</b>	P14,421	P13,018	<b>P4,381</b>	P8,375	P9,152	<b>(P1,538)</b>	(P5,702)	(P5,362)	<b>P17,842</b>	P17,094	P16,808
Dividends payable and others	<b>-</b>	12	17	<b>105</b>	-	2	<b>-</b>	1	-	<b>105</b>	13	19	<b>7</b>	7	2	<b>(105)</b>	-	-	<b>7</b>	20	21
Notes Payable	<b>-</b>	4,593	3,785	<b>1,431</b>	1,622	2,085	<b>1,438</b>	1,532	1,535	<b>2,869</b>	7,747	7,405	<b>707</b>	1,006	1,243	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,576</b>	8,753	8,648
Current maturities of long-term debt - net of debt issue costs	<b>-</b>	4,492	-	<b>-</b>	-	-	<b>-</b>	-	-	<b>-</b>	4,492	-	<b>65</b>	-	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>65</b>	4,492	-
Income tax payable	<b>-</b>	-	-	<b>229</b>	67	155	<b>130</b>	171	171	<b>359</b>	238	326	<b>146</b>	67	62	<b>-</b>	<b>-</b>	<b>-</b>	<b>505</b>	305	388
Deferred tax liabilities	<b>-</b>	-	-	<b>-</b>	-	-	<b>-</b>	-	-	<b>-</b>	-	-	<b>3</b>	3	2	<b>23</b>	25	32	<b>26</b>	28	34
Long-term debt - net of current maturities and debt issue costs	<b>-</b>	-	4,483	<b>-</b>	-	-	<b>-</b>	-	-	<b>-</b>	-	4,483	<b>-</b>	-	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	-	4,483
Consolidated total liabilities	<b>P10,815</b>	P19,204	P17,699	<b>P4,708</b>	P4,637	P4,313	<b>P2,809</b>	P3,070	P3,239	<b>P18,332</b>	P26,911	P25,251	<b>P5,309</b>	P9,458	P10,461	<b>(P1,620)</b>	(P5,677)	(P5,330)	<b>P22,021</b>	P30,692	P30,382
Capital expenditures	<b>P1,593</b>	P60	P69	<b>P359</b>	P104	P109	<b>P950</b>	P392	P1,591	<b>P2,902</b>	P556	P1,769	<b>P226</b>	P91	P209	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P3,128</b>	P647	P1,978
Depreciation and amortization	<b>2,131</b>	1,873	1,772	<b>273</b>	329	338	<b>271</b>	255	124	<b>2,675</b>	2,457	2,234	<b>367</b>	387	405	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,042</b>	2,844	2,639
Impairment loss on idle assets and goodwill	<b>-</b>	-	-	<b>-</b>	-	-	<b>-</b>	-	-	<b>-</b>	-	-	<b>253</b>	251	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>253</b>	251	-

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## 7. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand and in banks	<b>₱1,740,783</b>	₱2,289,923
Short-term investments	<b>7,543,067</b>	11,925,952
	<b>₱9,283,850</b>	₱14,215,875

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Cash in banks earn interest at the respective bank deposit rates. Short-term investments include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

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## 8. Trade and Other Receivables

This account consists of:

	Note	2015	2014
Trade		<b>₱9,630,157</b>	₱9,718,756
Non-trade		<b>1,010,404</b>	1,596,309
Amounts owed by related parties	28	<b>173,842</b>	147,970
		<b>10,814,403</b>	11,463,035
Less allowance for impairment losses	4	<b>650,024</b>	635,601
		<b>₱10,164,379</b>	₱10,827,434

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Trade receivables are non-interest bearing and are generally on a 30-day term.

Non-trade receivables include advances to contract growers and breeders, receivables from truckers and toll partners, and insurance claims for the value of certain inventories and property, plant and equipment damaged by typhoons.

In November 2014, SMPFC entered into an Intellectual Property Rights Transfer Agreement (Agreement) with Felicisimo Martinez & Co. Inc. (FMC) for the transfer to SMPFC of FMC's trademarks, formulations, recipes and other intangible properties (collectively, the "IP Rights") relating to the *La Pacita* biscuit and flour-based snack business. The refundable deposit paid by SMPFC in November 2014 was recognized by the Parent Company as part of "Non-trade receivables" as at December 31, 2014.

In February 2015, the refundable deposit was reversed following the substantial fulfillment of the closing conditions of the Agreement and the payment of the consideration (Note 15).

The movements in the allowance for impairment losses follow:

	2015	2014
Balance at beginning of year	<b>₱635,601</b>	₱504,051
Charges	<b>23,135</b>	209,476
Amounts written off	<b>(8,712)</b>	(77,926)
Balance at end of year	<b>₱650,024</b>	₱635,601

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As at December 31, 2015 and 2014, the aging of receivables is as follows:

<b>2015</b>	<b>Trade</b>	<b>Non-trade</b>	<b>Amounts Owed by Related Parties</b>	<b>Total</b>
Current	<b>₱5,678,006</b>	<b>₱487,642</b>	<b>₱67,167</b>	<b>₱6,232,815</b>
Past due				
1-30 days	<b>2,712,130</b>	<b>20,424</b>	<b>36,938</b>	<b>2,769,492</b>
31-60 days	<b>373,378</b>	<b>144,640</b>	<b>4,958</b>	<b>522,976</b>
61-90 days	<b>122,481</b>	<b>17,536</b>	<b>3,817</b>	<b>143,834</b>
Over 90 days	<b>744,162</b>	<b>340,162</b>	<b>60,962</b>	<b>1,145,286</b>
	<b>₱9,630,157</b>	<b>₱1,010,404</b>	<b>₱173,842</b>	<b>₱10,814,403</b>

<b>2014</b>	<b>Trade</b>	<b>Non-trade</b>	<b>Amounts Owed by Related Parties</b>	<b>Total</b>
Current	<b>₱5,827,492</b>	<b>₱555,718</b>	<b>₱65,578</b>	<b>₱6,448,788</b>
Past due				
1-30 days	<b>2,731,402</b>	<b>147,072</b>	<b>32,238</b>	<b>2,910,712</b>
31-60 days	<b>346,906</b>	<b>153,394</b>	<b>7,643</b>	<b>507,943</b>
61-90 days	<b>91,301</b>	<b>27,254</b>	<b>6,400</b>	<b>124,955</b>
Over 90 days	<b>721,655</b>	<b>712,871</b>	<b>36,111</b>	<b>1,470,637</b>
	<b>₱9,718,756</b>	<b>₱1,596,309</b>	<b>₱147,970</b>	<b>₱11,463,035</b>

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

## 9. Inventories

This account consists of:

	<b>2015</b>	<b>2014</b>
At net realizable value:		
Finished goods and goods in process	<b>₱4,069,189</b>	<b>₱4,370,901</b>
Raw materials, feeds and feed ingredients	<b>10,927,495</b>	<b>12,055,581</b>
	<b>₱14,996,684</b>	<b>₱16,426,482</b>

The cost of finished goods and goods in process amounted to ₱4,301.6 million and ₱4,635.8 million as at December 31, 2015 and 2014, respectively. The cost of raw materials, feeds and feed ingredients amounted to ₱11,063.6 million and ₱12,102.2 million as at December 31, 2015 and 2014, respectively.

The cost of inventories used recognized under “Cost of sales” account in consolidated statements of income amounted to ₱75,790.7 million, ₱74,438.0 million and ₱71,978.4 million in 2015, 2014 and 2013, respectively (Note 21).

Write-down of inventories amounted to ₱307.3 million, ₱242.8 million and ₱214.6 million in 2015, 2014 and 2013, respectively.

The fair value of agricultural produce less costs to sell, which formed part of the cost of the finished goods inventory, amounted to ₱649.4 million and ₱552.6 million as at December 31, 2015 and 2014, respectively, with corresponding costs at point of harvest amounting to ₱620.5 million and ₱508.9 million, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to ₱28.9 million, ₱43.7 million and ₱93.2 million in 2015, 2014 and 2013, respectively (Note 20).

The fair values of marketable hogs and cattle, and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs and cattle; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

#### 10. Biological Assets

This account consists of:

	<i>Note</i>	<b>2015</b>	2014
Current:			
Growing stocks		<b>₱2,950,400</b>	₱2,977,284
Goods in process		<b>368,488</b>	342,632
		<b>3,318,888</b>	3,319,916
Noncurrent:			
Breeding stocks - net	4	<b>2,177,392</b>	1,973,151
		<b>₱5,496,280</b>	₱5,293,067

The amortization of breeding stocks recognized in profit or loss amounted to ₱1,769.0 million, ₱1,536.9 million and ₱1,523.5 million in 2015, 2014 and 2013, respectively (Note 23).

Growing stocks pertain to growing broilers, hogs and cattle, and goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

	<b>2015</b>	2014
<b>Cost</b>		
Balance at beginning of year	<b>₱6,172,677</b>	₱6,036,471
Increase (decrease) due to:		
Production	<b>39,157,609</b>	37,559,618
Purchases	<b>603,863</b>	895,465
Mortality	<b>(712,379)</b>	(733,859)
Harvest	<b>(37,072,031)</b>	(36,183,762)
Retirement	<b>(1,560,083)</b>	(1,400,692)
Cumulative translation reserve	—	(564)
Balance at end of year	<b>6,589,656</b>	6,172,677

*Forward*

	<i>Note</i>	<b>2015</b>	2014
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>879,610</b>	698,285
Additions	23	<b>1,769,017</b>	1,536,866
Retirement		<b>(1,555,251)</b>	(1,339,265)
Disposals		—	(16,289)
Cumulative translation reserve		—	13
Balance at end of year		<b>1,093,376</b>	879,610
<b>Carrying Amount</b>		<b>P5,496,280</b>	P5,293,067

The Group harvested approximately 477.9 million and 452.9 million kilograms of grown broilers in 2015 and 2014, respectively, and 0.68 million and 0.75 million heads of marketable hogs and cattle in 2015 and 2014, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P42,857.3 million and P37,106.1 million in 2015 and 2014, respectively.

#### 11. Prepaid Expenses and Other Current Assets

This account consists of:

	<i>Note</i>	<b>2015</b>	2014
Prepaid income tax		<b>P1,070,395</b>	P1,279,483
Input tax		<b>1,012,534</b>	1,277,993
Derivative assets	31, 32	<b>10,378</b>	12,422
Others		<b>175,007</b>	832,587
		<b>P2,268,314</b>	P3,402,485

“Others” includes prepaid insurance, advance payments and deposits, and prepayments for various operating expenses.

The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 32.

#### 12. Investment in an Associate

In August 2011, SMPFC entered into a Share Purchase Agreement (SPA) with SMC covering the sale by the latter of its 5.2% shareholdings in Manila Electric Company (Meralco) comprising of 59,090,909 common shares for a total consideration of P13,000.0 million. Capitalized transaction costs related to the acquisition of Meralco shares by SMPFC amounted to P7.8 million.

The Parent Company has determined that it has obtained significant influence over the financial and operating policies of Meralco in conjunction with SMC and subsidiaries’ ownership of 32.04% interest in Meralco. Accordingly, the Parent Company applied the equity method of accounting on its investment in shares of stock of Meralco.

In March and September 2013, SMPFC received cash dividends from Meralco amounting to P360.4 million and P242.3 million, respectively.

In September 2013, SMPFC, together with SMC and SMC Global Power Holdings Corp., entered into an SPA with JG Summit Holdings, Inc. for the sale of the Parent Company's 59,090,909 shares of stock in Meralco for ₱13,886.4 million. Certain closing conditions covering the sale were satisfied by all of the parties in December 2013.

Equity in net earnings of Meralco for the year ended December 31, 2013 amounted to ₱714.9 million.

A gain of ₱390.7 million was recognized by SMPFC and this was included as part of "Gain on sale of investment, investment property, and property and equipment" account in the 2013 consolidated statement of income.

### 13. Investment Property

The movements in investment property are as follows:

	<i>Note</i>	<b>Land</b>	<b>Buildings and Improvements</b>	<b>Total</b>
<b>Cost</b>				
December 31, 2013		₱628,615	₱15,577	₱644,192
Additions		7,029	—	7,029
Disposals		(275)	—	(275)
Reclassifications		213	(213)	—
December 31, 2014		635,582	15,364	650,946
Disposals		(1,873)	(2,337)	(4,210)
December 31, 2015		633,709	13,027	646,736
<b>Accumulated Depreciation</b>				
December 31, 2013		—	3,040	3,040
Additions	23	—	697	697
December 31, 2014		—	3,737	3,737
Additions	23	—	661	661
Disposals		—	(1,915)	(1,915)
December 31, 2015		—	2,483	2,483
<b>Accumulated Impairment Losses</b>				
December 31, 2013, 2014 and 2015		8,473	—	8,473
<b>Carrying Amount</b>				
December 31, 2014		₱627,109	₱11,627	₱638,736
<b>December 31, 2015</b>		<b>₱625,236</b>	<b>₱10,544</b>	<b>₱635,780</b>

No impairment loss was recognized in 2015, 2014 and 2013.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2015, 2014 and 2013.

The fair value of investment property amounting to ₱896.9 million and ₱939.6 million as at December 31, 2015 and 2014, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined either by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued, or by the credit management group of the Parent Company. The independent appraisers or the credit management group of the Parent Company provide the fair value of the Group's investment property annually.

#### Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied one or more or a combination of the three approaches below:

*Cost Approach.* This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

*Sales Comparison Approach.* The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

*Income Approach.* The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

## 14. Property, Plant and Equipment

This account consists of:

	Note	Land and Land Improvements	Buildings and Improvements	Machinery Equipment, Furniture and Others	Transportation Equipment	Capital Projects in Progress	Total
<b>Cost</b>							
December 31, 2013		P2,323,925	P7,364,208	P10,530,509	P427,180	P11,432	P20,657,254
Additions		174,168	21,187	258,542	—	193,561	647,458
Disposals		—	(204)	(49,608)	(3,648)	—	(53,460)
Transfers, reclassifications and others		(15,512)	50,169	(186,286)	5,825	(79,103)	(224,907)
Cumulative translation reserve		(297)	(3,563)	(2,944)	(296)	(74)	(7,174)
December 31, 2014		2,482,284	7,431,797	10,550,213	429,061	125,816	21,019,171
Additions		400,088	38,607	247,938	7,120	2,434,033	3,127,786
Disposals		(3,792)	(7,623)	(75,093)	(16,263)	—	(102,771)
Transfers, reclassifications and others		(2,010)	(1,189,362)	(690,649)	(25,641)	81,592	(1,826,070)
Cumulative translation reserve		(1,161)	(5,950)	(7,996)	(956)	—	(16,063)
December 31, 2015		2,875,409	6,267,469	10,024,413	393,321	2,641,441	22,202,053
<b>Accumulated Depreciation</b>							
December 31, 2013		328,302	2,473,221	6,190,524	411,019	—	9,403,066
Additions	23	19,557	289,701	695,522	4,374	—	1,009,154
Disposals		—	(204)	(49,258)	(3,549)	—	(53,011)
Transfers, reclassifications and others		—	(16,940)	(43,680)	5,660	—	(54,960)
Cumulative translation reserve		—	(1,829)	(2,677)	(293)	—	(4,799)
December 31, 2014		347,859	2,743,949	6,790,431	417,211	—	10,299,450
Additions	23	20,678	240,831	632,495	3,249	—	897,253
Disposals		(3,792)	(7,426)	(71,883)	(16,263)	—	(99,364)
Transfers, reclassifications and others		—	(709,058)	(585,555)	(24,963)	—	(1,319,576)
Cumulative translation reserve		—	(3,408)	(6,595)	(953)	—	(10,956)
December 31, 2015		364,745	2,264,888	6,758,893	378,281	—	9,766,807
<b>Carrying Amount</b>							
December 31, 2014		P2,134,425	P4,687,848	P3,759,782	P11,850	P125,816	P10,719,721
<b>December 31, 2015</b>		<b>P2,510,664</b>	<b>P4,002,581</b>	<b>P3,265,520</b>	<b>P15,040</b>	<b>P2,641,441</b>	<b>P12,435,246</b>

Depreciation recognized in profit or loss amounted to P897.3 million in 2015, P1,009.2 million in 2014 and P884.7 million in 2013 (Note 23).

The Group has interest amounting to P10.4 million which was capitalized in 2013. The capitalization rates used to determine the amount of interest eligible for capitalization ranges from 0.63% to 2.63% in 2013. The amortization of capitalized interest amounted to P1.6 million in 2015, P1.9 million in 2014 and P0.7 million in 2013. Unamortized balance of capitalized interest as at December 31, 2015, 2014 and 2013 amounted to P31.5 million, P33.1 million and P35.0 million, respectively.

There was no interest capitalized by the Group in 2015 and 2014.

Idle assets, net of accumulated depreciation and impairment losses, which is included under “Other noncurrent assets” account amounted to P272.7 million and P86.3 million as at December 31, 2015 and 2014, respectively. Accumulated impairment losses on idle assets amounted to P331.0 million and P78.4 million as at December 31, 2015 and 2014, respectively.



## 15. Trademarks and Other Intangible Assets

This account consists of:

	2015	2014
Trademarks and brand names	<b>₱3,746,558</b>	₱3,300,378
Goodwill	<b>177,029</b>	177,029
Formulas and recipes	<b>57,591</b>	57,591
Franchise	<b>7,000</b>	—
Computer software and licenses - net	<b>266,904</b>	418,384
	<b>₱4,255,082</b>	<b>₱3,953,382</b>

The movements in trademarks and other intangible assets are as follows:

	Note	Trademarks and Brand Names	Goodwill	Others	Total
<b>Cost</b>					
December 31, 2013		₱3,300,557	₱425,655	₱863,493	₱4,589,705
Additions		—	—	70,932	70,932
Disposals and reclassifications		—	—	(210)	(210)
Cumulative translation reserve		(179)	2,321	(83)	2,059
December 31, 2014		3,300,378	427,976	934,132	4,662,486
Additions		446,428	—	17,923	464,351
Disposals and reclassifications		—	—	(19)	(19)
Cumulative translation reserve		(248)	—	(331)	(579)
December 31, 2015		3,746,558	427,976	951,705	5,126,239
<b>Accumulated Amortization</b>					
December 31, 2013		—	—	296,330	296,330
Additions	23	—	—	162,081	162,081
Disposals and reclassifications		—	—	(166)	(166)
Cumulative translation reserve		—	—	(88)	(88)
December 31, 2014		—	—	458,157	458,157
Additions	23	—	—	162,319	162,319
Disposals and reclassifications		—	—	(18)	(18)
Cumulative translation reserve		—	—	(248)	(248)
December 31, 2015		—	—	620,210	620,210
<b>Accumulated Impairment Loss</b>					
December 31, 2013		—	—	—	—
Additions	25	—	250,947	—	250,947
December 31, 2014 and 2015		—	250,947	—	250,947
<b>Carrying Amount</b>					
December 31, 2014		₱3,300,378	₱177,029	₱475,975	₱3,953,382
<b>December 31, 2015</b>		<b>₱3,746,558</b>	<b>₱177,029</b>	<b>₱331,495</b>	<b>₱4,255,082</b>

In July 2010, SMC and SMPFC entered into an Intellectual Property Rights Transfer Agreement (Agreement) for the transfer to SMPFC of SMC's food-related brands and intellectual property rights at a purchase price of ₱3,200.0 million. Pursuant to the Agreement, 10% of the purchase price was paid by SMPFC in July 2010. On March 8, 2011, SMPFC paid SMC the amount of ₱2,880.0 million representing the 90% balance of the purchase price of the food-related brands and intellectual property rights.

In November 2014, SMPFC entered into an Intellectual Property Rights Transfer Agreement (Agreement) with Felicísimo Martínez & Co. Inc. (FMC) for the transfer to SMPFC of FMC's trademarks, formulations, recipes and other intangible properties (collectively, the "IP Rights") relating to the *La Pacita* biscuit and flour-based snack business.

In February 2015, the acquisition by SMPFC of FMC's IP Rights was completed following the substantial fulfillment of the closing conditions of the Agreement and the payment of the consideration.

The recoverable amount of the trademarks and brand names was determined based on a valuation using cash flow projections (value-in-use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The range of the growth rates is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections was 9% and 12% in 2015 and 2014, respectively.

No impairment loss was recognized for trademarks and brand names in 2015, 2014 and 2013.

Goodwill acquired through business combinations which has been allocated to individual cash-generating units for impairment testing amounted to ₱170.8 million and ₱6.2 million as at December 31, 2015 and 2014 for PTSMPFI and Magnolia (through its subsidiary, GFDCC), respectively.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections (value-in-use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections ranged from 9% to 13% for 2015 and 12% to 14% for 2014. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium.

Impairment loss on goodwill recognized in 2014 amounted to ₱250.9 million (Note 25). No impairment loss was recognized in 2015 and 2013.

The Parent Company used the weighted average cost of capital as the discount rate, which reflected management's estimate of the risk. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of trademarks and brand names, and goodwill are based would not cause their carrying amounts to exceed their recoverable amounts.

The calculations of value in use are most sensitive to the following assumptions:

- *Gross Margins.* Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates.* The Group uses the weighted average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.
- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

## 16. Notes Payable

This account consists of:

	<i>Note</i>	<b>2015</b>	2014
Peso-denominated		<b>P3,470,458</b>	P8,461,744
Foreign currency-denominated		<b>105,697</b>	291,681
	<i>31, 32</i>	<b>P3,576,155</b>	P8,753,425

Notes payable mainly represent unsecured peso and foreign currency-denominated amounts payable to local and foreign banks. Interest rates for peso-denominated loans range from 2.00% to 2.75% and 2.00% to 4.25% in 2015 and 2014, respectively. Interest rates for foreign currency-denominated loans range from 6.80% to 12.60% and 7.00% to 13.40% in 2015 and 2014, respectively.

Notes payable of the Group are not subject to covenants and warranties.

## 17. Trade Payables and Other Current Liabilities

This account consists of:

	<i>Note</i>	<b>2015</b>	2014
Trade		<b>P7,095,982</b>	P8,381,271
Amounts owed to related parties	28	<b>1,341,988</b>	1,184,205
Non-trade		<b>6,921,669</b>	4,804,707
Output VAT		<b>778,661</b>	1,086,576
Derivative liabilities	31, 32	<b>64,384</b>	45,979
Others		<b>802,082</b>	728,663
		<b>P17,004,766</b>	P16,231,401

Trade payables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade payables include contract growers/breeders' fees, tolling fees, guarantee deposits and expenses payable.

"Others" include other tax-related and payroll-related accruals, accrued interest payable and dividends payable.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 32.

## 18. Long-term Debt

This account consists of the following unsecured term notes:

	2015	2014
Foreign currency-denominated (expressed in Philippine peso):		
Fixed interest rates of 12.85%, 12.45% and 13.27% maturing in 2016 (a)	<b>P64,809</b>	P–
Peso-denominated:		
Floating interest rate based on 3-month PDST-F plus margin maturing in 2015 (b)	–	3,693,186
Fixed interest rate of 5.4885% maturing in 2015 (b)	–	798,499
	<b>64,809</b>	4,491,685
Less current maturities	<b>64,809</b>	4,491,685
	<b>P–</b>	P–

- The amount represents facility loans entered into by PT SMPFI on various dates in 2015 with a foreign bank amounting to Indonesian Rupiah 19.0 billion (US\$1.3 million or P64.8 million as at December 31, 2015). PT SMPFI obtained the loans in three tranches, all maturing on December 9, 2016. Proceeds were used to refinance capital expenditure requirements.
- In December 2010, SMFI offered for sale and subscription to the public Philippine peso-denominated fixed rate and floating rate notes with principal amounts of P800.0 million and P3,700.0 million, respectively. Both types of notes have a term of five years and one day until December 11, 2015. Proceeds from the issuance of the notes were used to fund expansion and investment in new businesses by SMFI and for other general corporate purposes. SMFI fully paid these corporate notes on their maturity date.

The movements in debt issue costs relative to the issuance of the unsecured peso-denominated floating and fixed term notes by SMFI are as follows:

	Note	2015	2014
Balance at beginning of year		<b>P8,315</b>	P16,700
Amortizations	25	<b>(8,315)</b>	(8,385)
Balance at end of year		<b>P–</b>	P8,315

The debt agreements contain, among others, covenants relating to the maintenance of certain financial ratios, usage of proceeds, significant change in the nature of the business, restrictions on loans and guarantees, disposal of a substantial portion of assets, merger and consolidation, and payment of interests.

SMFI is in compliance with the covenants of the debt agreements as at December 31, 2014 and prior to the full payment of its corporate notes in December 2015.

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 31.

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## 19. Equity

*a. The following are the significant developments:*

On February 2, 2010 and March 12, 2010, the Parent Company's BOD and stockholders, respectively, approved the: (i) de-classification of the Parent Company's common shares and increase in the Parent Company's authorized capital stock by ₱1,000.0 million or 100,000,000 shares at ₱10.00 par value, and (ii) declaration of 18% stock dividend based on the issued and outstanding shares to be taken out of the proposed increase in authorized capital stock.

On April 12, 2010, the SEC approved the Parent Company's amendment to its Articles of Incorporation for the de-classification of common shares.

On May 21, 2010, the SEC issued to the Parent Company the Certificate for the Approval of Increase of Capital Stock from 146,000,000 common shares to 246,000,000 common shares with par value of ₱10.00 per share and the Certificate of Filing of Amended Articles of Incorporation.

On July 6, 2010, the PSE approved the application of the Parent Company to list additional 25,423,746 common shares, with a par value of ₱10.00 per share, to cover the 18% stock dividend declaration to stockholders of record as at June 30, 2010. Stock dividend distribution was made on July 26, 2010.

On September 15, 2010, the Parent Company's BOD approved, among others, the: (i) reclassification of up to 75,000,000 authorized and unissued common shares into cumulative, non-participating, non-voting and non-convertible preferred shares with par value of ₱10.00 per share; (ii) issuance of preferred shares with total issue size of up to ₱50,000.0 million; (iii) listing of such preferred shares at the appropriate exchanges, and (iv) amendment of the Parent Company's Articles of Incorporation to reflect the reclassification of such common shares to preferred shares and the denial of pre-emptive rights of shareholders for the proposed issuance of said preferred shares.

On November 3, 2010, the Parent Company's stockholders approved, among others, the: (i) reclassification of the Parent Company's 40,000,000 authorized and unissued common shares into non-voting, cumulative and non-participating preferred shares with par value of ₱10.00 per share; (ii) issuance of such preferred shares and the listing thereof at the appropriate exchanges; and (iii) amendment of the Parent Company's Articles of Incorporation to reflect the reclassification of 40,000,000 common shares to preferred shares and the denial of pre-emptive rights of shareholders for the proposed issuance of said preferred shares (Amendment).

On December 23, 2010, the SEC approved the foregoing Amendment to the Articles of Incorporation of the Parent Company.

*b. Capital Stock*

The Parent Company's capital stock, at ₱10 par value, consists of the following number of shares as at December 31:

	2015	2014
<b>Authorized shares</b>		
Common	<b>206,000,000</b>	206,000,000
Preferred	<b>40,000,000</b>	40,000,000
	<b>246,000,000</b>	246,000,000
<b>Issued shares</b>		
Common	<b>170,874,854</b>	170,874,854
Preferred	<b>30,000,000</b>	15,000,000
	<b>200,874,854</b>	185,874,854

Common Shares

On November 23, 2012, SMC completed the secondary offering of a portion of its common shares of stock in the Parent Company following the crossing of such shares at the PSE on November 21, 2012. The offer consisted of 25,000,000 common shares, inclusive of an over-allotment of 2,500,000 common shares at a price of ₱240.00 per share. The completion of the secondary offering resulted in the increase of the Parent Company's public ownership from 0.08% to 15.08% of its outstanding common shares.

The Parent Company has a total of 134 and 129 common stockholders as at December 31, 2015 and 2014, respectively.

Preferred Shares issued and listed with the PSE on March 3, 2011

On January 20, 2011, the SEC favorably considered the Parent Company's Registration Statement covering the registration of 15,000,000 preferred shares with a par value of ₱10.00 per share.

On January 26, 2011, the PSE approved, subject to certain conditions, the application of the Parent Company to list up 15,000,000 preferred shares with a par value of ₱10.00 per share to cover the Parent Company's follow-on preferred shares offering at an offer price of ₱1,000.00 per share and with a dividend rate determined by management on the dividend rate setting date.

On February 10, 2011, the SEC issued the order for the registration of the Parent Company's 15,000,000 preferred shares with a par value of ₱10.00 per share and released the Certificate of Permit to Offer Securities for Sale.

On February 11, 2011, the Parent Company's BOD approved the terms of the preferred shares offer (Terms of the Offer) and the amendment of the Articles of Incorporation of the Parent Company to reflect the additional optional redemption features of the preferred shares, to align with the Terms of the Offer. The stockholders of the Parent Company approved the said amendment during its annual meeting on May 13, 2011.

A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered 15,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares at an offer price of ₱1,000.00 per share during the period February 14 to 25, 2011. The dividend rate was set at 8% per annum with dividend payment dates on March 3, June 3, September 3 and December 3 of each year calculated on a 30/360-day basis, as and if declared by the BOD. The preferred shares are redeemable in whole or in part, in cash, at the sole option of the Parent Company, at the end of the 5<sup>th</sup> year from issuance date or on any dividend payment date thereafter, at the price equal to the issue price plus any accumulated and unpaid cash dividends. Optional redemption of the preferred shares prior to 5<sup>th</sup> year from issuance date was provided under certain conditions (i.e., accounting, tax or change of control events), as well as on the 3rd anniversary from issuance date or on any dividend payment date thereafter, as and if declared by the BOD. Unless the preferred shares are redeemed by the Parent Company on its 5<sup>th</sup> year anniversary, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 8% or the ten-year PDST-F rate prevailing on the optional redemption date plus 3.33% per annum.

On March 3, 2011, the Parent Company's 15,000,000 preferred shares with par value of ₱10.00 per share were issued and listed with the PSE.

On June 2, 2011, the SEC issued the Certificate of Filing of Amended Articles of Incorporation approving the additional redemption features of the preferred shares of the Parent Company.

On November 5, 2014, the BOD of SMPFC approved, among others, the: (i) public offer of up to 25,000,000 preferred shares at an issue price of ₱1,000.00 per share from the Parent Company's unissued capital stock as covered by the previous approval of the stockholders in its Special Stockholders' meeting held on November 3, 2010; and (ii) registration and listing of such preferred shares at the appropriate exchanges.

On February 3, 2015, SMPFC's BOD approved the redemption on March 3, 2015 of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of ₱1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of the Parent Company's treasury shares.

Perpetual Series "2" Preferred Shares issued and listed with the PSE on March 12, 2015

On January 20, 2015, the BOD of the PSE approved, subject to SEC approval and certain conditions, the application of SMPFC to list up to 15,000,000 perpetual series "2" preferred shares (PFP2 Shares) with a par value of ₱10.00 per share to cover the Parent Company's preferred shares offering at an offer price of ₱1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered the Parent Company's Registration Statement covering the registration of up to 15,000,000 PFP2 Shares at an offer price of ₱1,000.00 per share (the "PFP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on SMPFC's application to list up to 15,000,000 PFP2 Shares with a par value of ₱10.00 per share to cover the PFP2 Shares Offering at an offer price of ₱1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by SMPFC's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the PFP2 Shares Offering, management determined the terms of the PFP2 Shares (Terms of the Offer), including the initial dividend rate for the PFP2 Shares at 5.6569% per annum.

A summary of the Terms of the Offer is set out below:

SMPFC, through its underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of ₱1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the Parent Company, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 PFP2 Shares at an offer price of ₱1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 PFP2 Shares with par value of ₱10.00 per share were issued and listed with the PSE.

The proceeds from the issuance of perpetual series "2" preferred shares, net of transaction costs amounted to ₱14.9 million.

The Parent Company has a total of 95 and 228 preferred stockholders as at December 31, 2015 and 2014, respectively.

*c. Treasury Shares*

Treasury shares totaling 4,207,758 common shares and 15,000,000 preferred shares are carried at cost as at December 31, 2015 and 2014, and as at December 31, 2015, respectively.



*d. Unappropriated Retained Earnings*

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.

The Parent Company's retained earnings as at December 31, 2015 and 2014 is restricted in the amount of ₱182.1 million representing the cost of common shares held in treasury.

*e. Appropriated Retained Earnings*

- (i) In March 2014, the BOD of PF-Hormel approved an additional appropriation amounting to ₱750.0 million increasing its total appropriated retained earnings from ₱1,250.0 million to ₱2,000.0 million, to finance a plant expansion. The project started in 2015 and is expected to be completed in two years.
- (ii) In June 2015, the BOD of SMFI approved an appropriation amounting to ₱3,000.0 million to finance SMFI's feed mill expansion projects. The projects started in 2015 and are expected to be completed in three years.
- (iii) In June 2015, the BOD of SMMI approved an appropriation amounting to ₱2,000.0 million to finance SMMI's flour mill expansion project. The project started in 2015 and is expected to be completed in two years.

In December 2015, the BOD of SMMI approved, among others, the reversal of the June 2015 retained earnings appropriation amounting to ₱2,000.0 million upon approval by the SEC of the increase in SMMI's authorized capital stock.

*f. Cash Dividends*

Cash dividends declared by the BOD of the Parent Company to common shareholders amounted to ₱4.80 and ₱51.60 per share in 2015 and 2014, respectively.

Cash dividends declared by the BOD of the Parent Company to preferred shareholders amounted to ₱62.42675 and ₱80.00 per share in 2015 and 2014, respectively.

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**20. Revenues**

Revenue account consists of sales of goods, fair valuation adjustments on agricultural produce, rental income and service revenue. Total sales of goods amounted to ₱106,795.7 million, ₱102,913.5 million and ₱99,657.0 million in 2015, 2014 and 2013, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to ₱28.9 million, ₱43.7 million and ₱93.2 million in 2015, 2014 and 2013, respectively.

Service revenue amounted to ₱35.6 million, ₱42.2 million and ₱22.7 million in 2015, 2014 and 2013, respectively.

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## 21. Cost of Sales

This account consists of:

	<i>Note</i>	<b>2015</b>	2014	2013
Inventories used	9, 34	<b>₱75,790,728</b>	₱74,437,972	₱71,978,414
Depreciation and amortization	23	<b>2,563,754</b>	2,431,703	2,214,624
Freight, trucking and handling		<b>2,086,498</b>	2,063,081	1,853,147
Communication, light and water		<b>1,351,604</b>	1,349,780	1,265,047
Personnel expenses	24	<b>817,065</b>	740,084	667,601
Repairs and maintenance		<b>424,901</b>	349,388	390,603
Rentals	30	<b>197,293</b>	146,552	148,912
Others		<b>877,683</b>	996,035	1,029,184
		<b>₱84,109,526</b>	₱82,514,595	₱79,547,532

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## 22. Selling and Administrative Expenses

This account consists of:

	<i>Note</i>	<b>2015</b>	2014	2013
Freight, trucking and handling		<b>₱3,756,763</b>	₱3,703,291	₱3,483,438
Personnel expenses	24	<b>2,605,031</b>	2,425,616	2,487,255
Contracted services		<b>2,346,003</b>	2,281,001	1,899,408
Rentals	30	<b>1,895,870</b>	1,541,007	1,321,457
Advertising and promotions		<b>1,716,854</b>	1,561,481	3,239,145
Taxes and licenses		<b>632,356</b>	589,927	349,437
Depreciation and amortization	23	<b>419,870</b>	412,626	424,459
Supplies		<b>318,282</b>	300,248	279,967
Professional fees		<b>203,441</b>	427,905	290,008
Communication, light and water		<b>188,373</b>	216,196	231,607
Travel and transportation		<b>175,141</b>	177,184	199,165
Repairs and maintenance		<b>163,554</b>	195,924	209,599
Others		<b>685,182</b>	189,556	300,456
		<b>₱15,106,720</b>	₱14,021,962	₱14,715,401

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## 23. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	<i>Note</i>	<b>2015</b>	2014	2013
Cost of sales:				
Property, plant and equipment	14	<b>₱737,951</b>	₱850,803	₱682,052
Biological assets	10	<b>1,769,017</b>	1,536,866	1,523,536
Others		<b>56,786</b>	44,034	9,036
	21	<b>2,563,754</b>	2,431,703	2,214,624
Selling and administrative expenses:				
Property, plant and equipment	14	<b>159,302</b>	158,351	202,670
Others		<b>260,568</b>	254,275	221,789
	22	<b>419,870</b>	412,626	424,459
		<b>₱2,983,624</b>	₱2,844,329	₱2,639,083

“Others” include amortization of containers, computer software and licenses, small tools and equipment and depreciation of investment property amounting to ₱317.4 million, ₱298.3 million and ₱230.8 million in 2015, 2014 and 2013, respectively.

#### 24. Personnel Expenses

This account consists of:

	<i>Note</i>	<b>2015</b>	2014	2013
Salaries and allowances		<b>₱1,894,461</b>	₱1,781,125	₱1,755,331
Retirement costs	27	<b>182,533</b>	185,644	192,396
Other employee benefits		<b>1,345,102</b>	1,198,931	1,207,129
		<b>₱3,422,096</b>	₱3,165,700	₱3,154,856

Personnel expenses are distributed as follows:

	<i>Note</i>	<b>2015</b>	2014	2013
Cost of sales	21	<b>₱817,065</b>	₱740,084	₱667,601
Selling and administrative expenses	22	<b>2,605,031</b>	2,425,616	2,487,255
		<b>₱3,422,096</b>	₱3,165,700	₱3,154,856

#### 25. Interest Expense and Other Financing Charges, Interest Income and Other Income (Charges)

These accounts consist of:

##### a) Interest Expense and Other Financing Charges

	<b>2015</b>	2014	2013
Interest expense	<b>₱324,258</b>	₱353,782	₱483,629
Other financing charges	<b>65,212</b>	65,894	65,977
	<b>₱389,470</b>	₱419,676	₱549,606

Amortization of debt issue costs in 2015, 2014 and 2013 included in “Other financing charges” account amounted to ₱8.3 million, ₱8.4 million and ₱8.0 million, respectively (Note 18).

Interest expense on notes payable and long-term debt are as follows:

	<i>Note</i>	<b>2015</b>	2014	2013
Notes payable	16	<b>₱135,456</b>	₱159,209	₱288,522
Long-term debt	18	<b>188,802</b>	194,573	195,107
		<b>₱324,258</b>	₱353,782	₱483,629

##### b) Interest Income

	<b>2015</b>	2014	2013
Short-term investments	<b>₱164,698</b>	₱128,904	₱44,505
Cash in banks	<b>16,222</b>	6,947	14,413
	<b>₱180,920</b>	₱135,851	₱58,918

c) Other Income (Charges)

	<i>Note</i>	<b>2015</b>	2014	2013
Impairment loss on idle assets and goodwill	14, 15	<b>(P253,234)</b>	(P250,947)	P–
Loss on derivatives	32	<b>(122,993)</b>	(19,064)	(475,173)
Foreign exchange gains (losses) - net	31	<b>(47,237)</b>	3,149	32,890
Others - net		<b>(141,072)</b>	(236,854)	(90,513)
		<b>(P564,536)</b>	(P503,716)	(P532,796)

The depreciation of assets recognized as idle in 2015 amounting to P57.9 million is presented as part of “Others”.

## 26. Income Taxes

- a) The Group’s deferred tax assets and liabilities as at December 31 arise from the following:

	<b>2015</b>	2014
Unamortized past service cost and reserve for retirement plan	<b>P356,327</b>	P339,306
Allowance for impairment losses on receivables and write-down of inventories	<b>242,447</b>	226,319
NOLCO	<b>96,738</b>	108,548
MCIT	<b>6,171</b>	14,893
Unrealized mark-to-market loss	<b>20,507</b>	12,882
Others	<b>124,163</b>	73,176
	<b>P846,353</b>	P775,124

The above amounts are reported in the Group’s consolidated statements of financial position as follows:

	<i>Note</i>	<b>2015</b>	2014
Deferred tax assets	4	<b>P872,331</b>	P802,981
Deferred tax liabilities		<b>(25,978)</b>	(27,857)
		<b>P846,353</b>	P775,124

As at December 31, 2015, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

<b>Year Incurred/Paid</b>	<b>Carryforward Benefits Up To</b>	<b>NOLCO</b>	<b>MCIT</b>
2014	December 31, 2017	P136,615	P4,696
2015	December 31, 2018	185,844	1,475
		<b>P322,459</b>	<b>P6,171</b>

Temporary differences on carryforward benefits of NOLCO and excess MCIT for which no deferred tax assets were recognized amounted to P226.2 million as at December 31, 2015.

b) The components of income tax expense (benefit) are shown below:

	2015	2014	2013
<b>Reported in Profit or Loss</b>			
Current:			
Corporate income tax	<b>₱2,145,923</b>	₱1,793,778	₱1,488,011
Final tax on interest and royalty income, and on proceeds from sale of investment in shares of stock	<b>122,948</b>	105,212	152,756
	<b>2,268,871</b>	1,898,990	1,640,767
Deferred	<b>(52,225)</b>	(66,530)	(128,564)
	<b>₱2,216,646</b>	₱1,832,460	₱1,512,203
<b>Reported in Other Comprehensive Income</b>			
Deferred income tax expense (benefit)			
Remeasurement loss on reserve for retirement plan	<b>(₱39,113)</b>	(₱15,287)	(₱63,896)
Gain (loss) on available-for-sale financial assets	<b>18</b>	51	(15)
	<b>(₱39,095)</b>	(₱15,236)	(₱63,911)

c. The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2015	2014	2013
Statutory income tax rate	<b>30.00%</b>	30.00%	30.00%
Addition to (reduction in) income tax resulting from the tax effects of:			
Interest income subjected to final tax	<b>(0.26)</b>	(0.24)	(0.32)
Equity in net earnings of an associate	—	—	(3.83)
Others - net	<b>2.07</b>	2.52	1.17
Effective income tax rates	<b>31.81%</b>	32.28%	27.02%

## 27. Retirement Plans

Majority of the subsidiaries of the Parent Company have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. 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. The Group's latest actuarial valuation date is as at December 31, 2015. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees (BOT) of each Retirement Plan.

The BOT of the Group's Retirement Plans exercises voting rights over the shares and approve material transactions. The Retirement Plans' accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	<b>Fair Value of Plan Assets</b>		<b>Present Value of Defined Benefit Obligation</b>		<b>Net Defined Benefit Retirement Liability</b>	
	<b>2015</b>	2014	<b>2015</b>	2014	<b>2015</b>	2014
<b>Balance at beginning of year</b>	<b>₱2,336,606</b>	₱2,219,453	<b>(₱3,214,457)</b>	(₱3,108,365)	<b>(₱877,851)</b>	(₱888,912)
<b>Recognized in profit or loss</b>						
Service costs	—	—	<b>(146,410)</b>	(144,261)	<b>(146,410)</b>	(144,261)
Interest expense	—	—	<b>(150,572)</b>	(137,524)	<b>(150,572)</b>	(137,524)
Interest income	<b>114,449</b>	96,141	—	—	<b>114,449</b>	96,141
	<b>114,449</b>	96,141	<b>(296,982)</b>	(281,785)	<b>(182,533)</b>	(185,644)
<b>Recognized in other comprehensive income</b>						
Remeasurements:						
Actuarial gains (losses) arising from:						
Experience adjustments	—	—	<b>(181,475)</b>	(116,925)	<b>(181,475)</b>	(116,925)
Changes in financial assumptions	—	—	<b>15,774</b>	8,980	<b>15,774</b>	8,980
Changes in demographics assumptions	—	—	<b>175,901</b>	—	<b>175,901</b>	—
Return on plan asset excluding interest	<b>(143,314)</b>	56,987	—	—	<b>(143,314)</b>	56,987
	<b>(143,314)</b>	56,987	<b>10,200</b>	(107,945)	<b>(133,114)</b>	(50,958)
<b>Others</b>						
Contributions	<b>348,689</b>	245,060	—	—	<b>348,689</b>	245,060
Benefits paid	<b>(94,309)</b>	(281,035)	<b>97,625</b>	283,638	<b>3,316</b>	2,603
Other adjustments	—	—	<b>1,696</b>	—	<b>1,696</b>	—
	<b>254,380</b>	(35,975)	<b>99,321</b>	283,638	<b>353,701</b>	247,663
<b>Balance at end of year</b>	<b>₱2,562,121</b>	₱2,336,606	<b>(₱3,401,918)</b>	(₱3,214,457)	<b>(₱839,797)</b>	(₱877,851)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to ₱182.5 million, ₱185.6 million and ₱192.4 million in 2015, 2014 and 2013, respectively (Note 24).

Retirement assets and liabilities as at December 31, 2015, included as part of "Other noncurrent assets" and "Other noncurrent liabilities" accounts in the 2015 consolidated statement of financial position, amounted to ₱4.8 million and ₱844.6 million, respectively.

Retirement assets and liabilities as at December 31, 2014, included as part of "Other noncurrent assets" and "Other noncurrent liabilities" accounts in the 2014 consolidated statement of financial position, amounted to ₱4.8 million and ₱882.7 million, respectively.

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2015 and 2014.

The Group's plan assets consist of the following:

	In Percentages	
	2015	2014
Marketable securities	21.2	19.5
Interest in pooled funds:		
Stock trading portfolio	14.9	17.9
Fixed income portfolio	49.0	53.4
Others	14.9	9.2

#### Investments in Marketable Securities

As at December 31, 2015, the plan assets include:

- 3,492,790 common shares, 730,000 Series "2" Subseries "2-B" and 1,333,300 Series "2" Subseries "2-E" preferred shares of SMC with fair market value per share of ₱49.90, ₱77.40 and ₱76.00, respectively;
- 50,000 preferred shares of Petron Corporation with fair market value per share of ₱1,070.00;
- 939,832 common shares of Ginebra San Miguel, Inc. with fair market value per share of ₱12.28;
- 225,110 common shares and 50,000 PFP2 Shares of SMPFC with fair market value per share of ₱129.00 and ₱1,029.00, respectively; and
- 207,989 common shares of Top Frontier with fair market value per share of ₱67.60.

As at December 31, 2014, the plan assets include:

- 2,079,890 common shares, 600,000 Series "2" Subseries "2-A" and 730,000 Series "2" Subseries "2-B" preferred shares of SMC with fair market value per share of ₱73.80, ₱75.60 and ₱78.15, respectively;

- 455,000 preferred shares of Petron Corporation with fair market value per share of ₱101.80;
- 939,832 common shares of Ginebra San Miguel, Inc. with fair market value per share of ₱15.88;
- 225,110 common shares and 54,835 preferred shares of SMPFC with fair market value per share of ₱208.00 and ₱1,009.00, respectively; and
- 207,989 common shares of Top Frontier with fair market value per share of ₱124.00.

The fair market value per share of the above shares of stock is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group's Retirement Plans recognized gains (losses) on the investment in marketable securities of SMC and its subsidiaries amounting to (₱75.6 million) and ₱5.8 million in 2015 and 2014, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to ₱17.2 million and ₱31.5 million in 2015 and 2014, respectively.

#### Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The BOT approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plans based on their pro-rata share in net assets of pooled funds. The Retirement Plans' interests in the net assets of the pooled funds were 39.3% and 41.5% of fixed income portfolio as at December 31, 2015 and 2014, respectively. The Retirement Plans' interests in net assets of the pooled funds were 16.9% and 17.9% of stock trading portfolio as at December 31, 2015 and 2014, respectively.

Approximately 2.7% and 2.8% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2015 and 2014, respectively.

Approximately 25.2% and 20.4% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2015 and 2014, respectively.

Others include the Group Retirement Plans' investments in real estate such as memorial lots and foreclosed properties, investments in government securities, cash and cash equivalents and receivables which earn interest.



The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute the amount of ₱696.4 million to the Retirement Plans in 2016.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

*Investment and Interest Rate Risks.* The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

*Longevity and Salary Risks.* The present value of defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of plan participants, both during and after employment, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2015	2014
Discount rate	<b>4.47 to 9.0</b>	4.1 to 8.0
Salary increase rate	<b>7.0 to 8.0</b>	7.0 to 8.0

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 2.9 to 9.0 years and 2.4 to 9.3 years as at December 31, 2015 and 2014, respectively.

As at December 31 2015 and 2014, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	2015		2014	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(₱27,986)	₱30,375	(₱36,501)	₱33,908
Salary increase rate	26,322	(24,828)	29,483	(33,089)
Gold increase rate	149	(235)	—	—

## 28. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, and associate in the normal course of business, purchase products and services from one another. 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.

Transactions with related parties and the related balances include the following:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	<b>2015</b>	<b>P–</b>	<b>P–</b>	<b>P50</b>	<b>P–</b>	On demand; non-interest bearing	Unsecured; no impairment
	2013	–	–	117	–		
Intermediate Parent Company	<b>2015</b>	<b>7,692</b>	<b>889,709</b>	<b>23,852</b>	<b>184,713</b>	On demand; non-interest bearing	Unsecured; no impairment
	2014	7,226	676,076	18,162	313,408		
	2013	9,658	760,202	26,657	873,675		
Entities under Common Control	<b>2015</b>	<b>15,147</b>	<b>2,132,072</b>	<b>140,914</b>	<b>1,020,711</b>	On demand; non-interest bearing	Unsecured; no impairment
	2014	27,397	3,235,328	116,118	710,989		
	2013	92,179	2,813,671	100,456	754,340		
Shareholder in Subsidiaries	<b>2015</b>	–	–	<b>9,986</b>	<b>136,564</b>	On demand; non-interest bearing	Unsecured; no impairment
	2014	–	–	14,886	159,808		
	2013	–	–	26,007	59,053		
<b>Total</b>	<b>2015</b>	<b>P22,839</b>	<b>P3,021,781</b>	<b>P174,802</b>	<b>P1,341,988</b>		
<b>Total</b>	<b>2014</b>	<b>P34,623</b>	<b>P3,911,404</b>	<b>P149,166</b>	<b>P1,184,205</b>		
<b>Total</b>	<b>2013</b>	<b>P101,837</b>	<b>P3,573,873</b>	<b>P153,237</b>	<b>P1,687,068</b>		

Amounts owed by related parties consist mainly of trade and non-trade receivables and derivative assets. As at December 31, 2015 and 2014, amounts owed by related parties amounting to P1.0 million and P1.2 million are included under “Other noncurrent assets” account, respectively.

Amounts owed to related parties consist mainly of trade and non-trade payables, management fees and derivative liabilities.

Certain related party transactions were discussed in Notes 12 and 33.

On December 28, 2004, SMC and Monterey Foods Corporation (Monterey) executed a Trademark Licensing Agreement (Agreement) with PF-Hormel to license the Monterey trademark for a period of 20 years renewable for the same period for a royalty based on net sales revenue. The royalty fee will apply only for as long as SMC and any of its subsidiaries own at least 51% of PF-Hormel. In the event that the ownership of SMC and any of its subsidiaries is less than 51%, the parties will negotiate and agree on the royalty fee on the license of the Monterey trademark. As a result of the merger of Monterey into SMFI, with SMFI as the surviving corporation, all rights and obligations of Monterey under the Agreement are automatically transferred to and vested in SMFI per applicable law and following the provision in the Plan of Merger.

The compensation of the key management personnel of the Group, by benefit type, follows:

	2015	2014	2013
Short-term employee benefits	<b>₱128,338</b>	₱119,703	₱90,640
Retirement costs	<b>10,810</b>	9,404	8,301
	<b>₱139,148</b>	₱129,107	₱98,941

## 29. Basic and Diluted Earnings Per Common Share

Basic EPS is computed as follows:

	2015	2014	2013
Net income attributable to equity holders of the Parent Company	<b>₱4,499,555</b>	₱3,884,521	₱4,096,989
Dividends on preferred shares for the year	<b>936,401</b>	1,200,000	1,200,000
Net income attributable to common shareholders of the Parent Company (a)	<b>₱3,563,154</b>	₱2,684,521	₱2,896,989
Common shares issued and outstanding	<b>166,667,096</b>	166,667,096	166,667,096
Weighted average number of common shares (b)	<b>166,667,096</b>	166,667,096	166,667,096
Basic earnings per common share attributable to equity holders of the Parent Company (a/b)	<b>₱21.38</b>	₱16.11	₱17.38

As at December 31, 2015, 2014 and 2013, the Group has no dilutive equity instruments.

## 30. Operating Lease Commitments

### *Group as Lessee*

The Group entered into various operating lease agreements. These non-cancellable leases will expire in various terms. Some leases provide an option to renew the lease at the end of the lease term and are reviewed to reflect current market rentals.

The minimum future rental payables under these operating leases as at December 31 are as follows:

	2015	2014
Within one year	<b>₱720,062</b>	₱636,539
After one year but not more than five years	<b>775,788</b>	794,010
After five years	<b>946,106</b>	949,871
	<b>₱2,441,956</b>	₱2,380,420

Rent expense recognized in profit or loss amounted to ₱2,093.2 million, ₱1,687.6 million and ₱1,470.4 million in 2015, 2014 and 2013, respectively (Notes 4, 21 and 22).

### *Group as Lessor*

The Group entered into a lease agreement for the use of its machinery and equipment. The non-cancellable operating lease has a term of three years and includes a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The minimum future rental receivables under the operating lease as at December 31, 2015 within one year, and after one year but not more than five years amounted to ₱22.2 million.

Rent income recognized in profit or loss amounted to ₱22.2 million in 2015, 2014 and 2013 (Note 4).

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### 31. Financial Risk and Capital Management Objectives and Policies

#### Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure of the Group to each of the foregoing risks, objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, AFS financial assets, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, trade payables and other current liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as commodity options are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price risks arising from the operating activities.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the risk management policies. The committee reports regularly to the BOD on its activities.

The risk management policies of the Group are established to identify and analyze the risks faced by the 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 activities. The 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 Audit Committee oversees how management monitors compliance with the risk management policies and procedures of the Group, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the annual report of the Group.

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

#### Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost 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.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any;
- fair value reserves arising from increases or decreases in fair values of AFS financial assets reported as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships reported as part of other comprehensive income.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by ₦37.0 million in 2014. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

As at December 31, 2015, the Group has no more floating rate borrowings.

## Interest Rate Risk Table

As at December 31, 2015 and 2014, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, is shown in the table below:

<b>December 31, 2015</b>	<b>&lt;1 Year</b>	<b>1 - 2 Years</b>	<b>Total</b>
<b>Fixed rate</b>			
Foreign currency-denominated (expressed in Philippine peso)	<b>P64,809</b>	<b>P–</b>	<b>P64,809</b>
Interest rate	<b>12.85%, 12.45% and 13.27%</b>		
	<b>P64,809</b>	<b>P–</b>	<b>P64,809</b>
<b>December 31, 2014</b>	<b>&lt;1 Year</b>	<b>1 - 2 Years</b>	<b>Total</b>
<b>Fixed rate</b>			
Philippine peso-denominated	<b>P800,000</b>	<b>P–</b>	<b>P800,000</b>
Interest rate	<b>5.4885%</b>		
<b>Floating rate</b>			
Philippine peso-denominated	<b>3,700,000</b>	<b>–</b>	<b>3,700,000</b>
Interest rate	<b>3-month PDST-F plus margin</b>		
	<b>P4,500,000</b>	<b>P–</b>	<b>P4,500,000</b>

## Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	<b>2015</b>		<b>2014</b>	
	<b>US Dollar</b>	<b>Peso Equivalent</b>	<b>US Dollar</b>	<b>Peso Equivalent</b>
<b>Assets</b>				
Cash and cash equivalents	<b>US\$2,917</b>	<b>P137,274</b>	<b>US\$4,797</b>	<b>P214,522</b>
Trade and other receivables	<b>5,603</b>	<b>263,677</b>	<b>8,044</b>	<b>359,728</b>
	<b>8,520</b>	<b>400,951</b>	<b>12,841</b>	<b>574,250</b>
<b>Liabilities</b>				
Notes payable	<b>2,246</b>	<b>105,697</b>	<b>6,522</b>	<b>291,664</b>
Trade payables and other current liabilities	<b>21,703</b>	<b>1,021,343</b>	<b>9,899</b>	<b>442,683</b>
Other noncurrent liabilities	<b>1</b>	<b>47</b>	<b>1</b>	<b>45</b>
	<b>23,950</b>	<b>1,127,087</b>	<b>16,422</b>	<b>734,392</b>
Net foreign currency- denominated monetary liabilities	<b>(US\$15,430)</b>	<b>(P726,136)</b>	<b>(US\$3,581)</b>	<b>(P160,142)</b>

The Group reported net foreign exchange gains (losses) amounting to (P47.2 million), P3.1 million and P32.9 million in 2015, 2014 and 2013, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 25). These mainly resulted from the movements of the Philippine peso against the US dollar during the year. Shown in the following table are the foreign exchange rates as at statement of financial position dates.

	Peso to US Dollar
December 31, 2015	47.060
December 31, 2014	44.720
December 31, 2013	44.395

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses;
- translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in foreign exchange gains or losses of the hedged item and the hedging instrument.

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as at December 31, 2015 and 2014.

	2015			
	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P1,516)	(P2,463)	P1,516	P2,463
Trade and other receivables	(1,780)	(5,069)	1,780	5,069
	(3,296)	(7,532)	3,296	7,532
Notes payable	—	2,246	—	(2,246)
Trade payables and other current liabilities	17,365	16,493	(17,365)	(16,493)
Other noncurrent liabilities	—	1	—	(1)
	17,365	18,740	(17,365)	(18,740)
	P14,069	P11,208	(P14,069)	(P11,208)

2014				
	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P2,767)	(P3,968)	P2,767	P3,968
Trade and other receivables	(3,731)	(6,924)	3,731	6,924
	(6,498)	(10,892)	6,498	10,892
Notes payable	–	6,522	–	(6,522)
Trade payables and other current liabilities	4,230	8,630	(4,230)	(8,630)
Other noncurrent liabilities	–	1	–	(1)
	4,230	15,153	(4,230)	(15,153)
	(P2,268)	P4,261	P2,268	(P4,261)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

#### Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show mark-to-market losses; however, any loss in the mark-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group of Companies and managing inventory levels of common materials.

The Group uses commodity futures, swaps and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

#### Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and 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.



The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

2015	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	₱9,283,850	₱9,283,850	₱9,283,850	₱–	₱–	₱–
Trade and other receivables - net	10,164,379	10,164,379	10,164,379	–	–	–
Derivative assets (included under “Prepaid expenses and other current assets” account)	10,378	10,378	10,378	–	–	–
AFS financial assets (included under “Other noncurrent assets” account)	10,682	10,682	–	–	–	10,682
<b>Financial Liabilities</b>						
Notes payable	3,576,155	3,579,062	3,579,062	–	–	–
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	15,751,674	15,751,674	15,751,674	–	–	–
Derivative liabilities (included under “Trade payables and other current liabilities” account)	64,384	64,384	64,384	–	–	–
Current maturities of long-term debt - net of debt issue costs	64,809	72,701	72,701	–	–	–
Other noncurrent liabilities (excluding retirement liability)	40	40	–	40	–	–
2014	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	₱14,215,875	₱14,215,875	₱14,215,875	₱–	₱–	₱–
Trade and other receivables - net	10,827,434	10,827,434	10,827,434	–	–	–
Derivative assets (included under “Prepaid expenses and other current assets” account)	12,422	12,422	12,422	–	–	–
AFS financial assets (included under “Other noncurrent assets” account)	9,962	9,962	–	–	–	9,962
<b>Financial Liabilities</b>						
Notes payable	8,753,425	8,763,524	8,763,524	–	–	–
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	14,726,814	14,726,814	14,726,814	–	–	–
Derivative liabilities (included under “Trade payables and other current liabilities” account)	55,310	55,310	55,310	–	–	–
Current maturities of long-term debt - net of debt issue costs	4,491,685	4,683,379	4,683,379	–	–	–
Other noncurrent liabilities (excluding retirement liability)	41	41	–	41	–	–

### Credit Risk

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 trade and other receivables and investment securities. 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.

### Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

### Investments

The Group recognizes impairment losses based on specific and collective impairment tests, when objective evidence of impairment has been identified either on an individual account or on a portfolio level.

Financial information on the Group's maximum exposure to credit risk as at December 31, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	<i>Note</i>	<b>2015</b>	2014
Cash and cash equivalents			
(excluding cash on hand)	7	<b>P9,271,416</b>	P14,198,983
Trade and other receivables - net	8	<b>10,164,379</b>	10,827,434
Derivative assets	32	<b>10,378</b>	12,422
AFS financial assets	32	<b>10,682</b>	9,962
		<b>P19,456,855</b>	P25,048,801

The credit risk for cash and cash equivalents, derivative assets and AFS financial assets is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

#### Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.
- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.
- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

#### Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

#### Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock, cumulative translation reserve, fair value reserve, reserve for retirement plan and other equity reserves are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group is not subject to externally-imposed capital requirements.

### 32. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as at December 31, 2015 and 2014:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	<b>P9,283,850</b>	<b>P9,283,850</b>	P14,215,875	P14,215,875
Trade and other receivables - net	<b>10,164,379</b>	<b>10,164,379</b>	10,827,434	10,827,434
Derivative assets (included under "Prepaid expenses and other current assets" account)	<b>10,378</b>	<b>10,378</b>	12,422	12,422
AFS financial assets (included under "Other noncurrent assets" account)	<b>10,682</b>	<b>10,682</b>	9,962	9,962
<b>Financial Liabilities</b>				
Notes payable	<b>3,576,155</b>	<b>3,576,155</b>	8,753,425	8,753,425
Trade payables and other current liabilities (excluding dividends payable, derivative liabilities and statutory liabilities)	<b>15,751,674</b>	<b>15,751,674</b>	14,726,814	14,726,814
Derivative liabilities (included under "Trade payables and other current liabilities" account)	<b>64,384</b>	<b>64,384</b>	55,310	55,310
Current maturities of long-term debt - net of debt issue costs	<b>64,809</b>	<b>66,920</b>	4,491,685	4,514,109
Other noncurrent liabilities (excluding retirement liability)	<b>40</b>	<b>40</b>	41	41

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and Cash Equivalents and Trade and Other Receivables.* The carrying amounts of cash and cash equivalents, and trade and other receivables approximate fair values primarily due to the relatively short-term maturities of these financial instruments.

*Derivatives.* The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding commodity derivatives, the fair values are determined based on quoted prices obtained from active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

*AFS Financial Assets.* The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

*Notes Payable and Trade Payables and Other Current Liabilities.* The carrying amounts of notes payable and trade payables and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments.

*Long-term Debt and Other Noncurrent Liabilities.* The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 2.54% to 2.69% as at December 31, 2014. Discount rates used for foreign currency-denominated loans range from 8.13% to 9.10% as at December 31, 2015. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

#### Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

#### Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in profit or loss. Details are as follows:

##### *Freestanding Derivatives*

Freestanding derivatives consist of various commodity options entered into by SMC on behalf of the Group.

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities of 5,987 metric tons as at December 31, 2014. These options can be exercised at various calculation dates in 2015 with specified quantities on each calculation date. As at December 31, 2014, the net negative fair value of these options amounted to P5.0 million.

As at December 31, 2015, the Group has no outstanding bought and sold options covering its wheat requirements.

As at December 31, 2015 and 2014, the Group has no outstanding bought and sold options covering its soybean meal requirements.

### *Embedded Derivatives*

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at December 31, 2015 and 2014, the total outstanding notional amount of such embedded currency forwards amounted to US\$73.0 million and US\$85.6 million, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. As at December 31, 2015 and 2014, the net negative fair value of these embedded currency forwards amounted to P54.0 million and P37.9 million, respectively.

The Group recognized mark-to-market losses from freestanding and embedded derivatives amounting to P123.0 million, P19.1 million and P457.2 million in 2015, 2014 and 2013, respectively (Note 25).

### Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	<b>2015</b>	<b>2014</b>
Balance at beginning of year	<b>(P42,888)</b>	(P245,151)
Net changes in fair value of derivatives not designated as accounting hedges	<b>(122,993)</b>	(19,064)
	<b>(165,881)</b>	(264,215)
Less fair value of settled instruments	<b>(111,875)</b>	(221,327)
Balance at end of year	<b>(P54,006)</b>	(P42,888)

### Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

<b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Financial Assets</b>			
Derivative assets	<b>P—</b>	<b>P10,378</b>	<b>P10,378</b>
AFS Financial assets	<b>9,599</b>	<b>1,083</b>	<b>10,682</b>
<b>Financial Liabilities</b>			
Derivative liabilities	<b>—</b>	<b>64,384</b>	<b>64,384</b>
<b>2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Financial Assets</b>			
Derivative assets	<b>P—</b>	<b>P12,422</b>	<b>P12,422</b>
AFS Financial assets	<b>8,867</b>	<b>1,095</b>	<b>9,962</b>
<b>Financial Liabilities</b>			
Derivative liabilities	<b>—</b>	<b>55,310</b>	<b>55,310</b>

The Group has no financial instruments valued based on Level 3 as at December 31, 2015 and 2014. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

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### 33. Employee Stock Purchase Plan

SMC offers shares of stocks to employees of SMC and those of its subsidiaries under the ESPP. Under 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. A participating employee may acquire at least 100 shares of stocks, subject to certain conditions, through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to SMC until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from exercise date.

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions.

There were no shares offered under the ESPP in 2015 and 2014.

Expenses billed by SMC for share-based payments recognized by the Group in profit or loss and included in "Selling and Administrative Expenses" amounted to ₱18.6 million in 2013. There were no expenses for share-based payments that were paid and charged by SMC to the Group in 2015 and 2014.

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### 34. Other Matters

#### *a) Toll Agreements*

The significant subsidiaries of the Parent Company are into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the "Parties"). The terms of the agreements include the following, among others:

- The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.
- Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.
- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses in 2015, 2014 and 2013 amounted to ₱6,733.4 million, ₱6,406.4 million and ₱6,006.4 million, respectively.

#### *b) Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor-related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

*c) Commitments*

The outstanding capital and purchase commitments of the Group as at December 31, 2015 and 2014 amounted to ₱13,805.4 million and ₱16,528.0 million, respectively.

*d) Registration with the Board of Investments (BOI)*

Certain operations of the Parent Company's consolidated subsidiaries are registered with the BOI as pioneer and non-pioneer activities. As registered enterprises, these consolidated subsidiaries are subject to some requirements and are entitled to certain tax and non-tax incentives.

GBGTC

GBGTC was registered with the BOI under Registration No. 2012-223 on a non-pioneer status as a New Operator of Warehouse for its grain terminal project in Mabini, Batangas on October 19, 2012.

Under the terms of GBGTC's BOI registration and subject to certain requirements as provided in the Omnibus Investments Code of 1987 (Executive Order no. 226), GBGTC is entitled to incentives which include, among others, income tax holiday (ITH) for a period of four years from July 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

SMFI

SMFI's (formerly Monterey) Sumilao Hog Project (Sumilao Project) was registered with the BOI on a pioneer status as New Producer of Hogs on July 30, 2008 under Registration No. 2008-192. In accordance with the provisions of the Omnibus Investment Code of 1987 (Execution Order No. 226), the Sumilao Project was entitled to incentives which include, among others, ITH for a period of six years, extendable under certain conditions to eight years.

SMFI's six-year ITH for the Sumilao Project ended on January 31, 2015. As at reporting date, SMFI is completing the requirements to avail the two-year ITH bonus year.

*e) Foreign Exchange Rate*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso were closing rates of ₱47.06 and ₱44.72 in 2015 and 2014, respectively, for consolidated statements of financial position accounts; and average rates of ₱45.50, ₱44.39 and ₱42.43 in 2015, 2014 and 2013, respectively, for income and expense accounts.

*f) Certain amounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.*

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### 35. Events After the Reporting Date

- a. On February 2, 2016, the Parent Company's BOD declared cash dividends to all common shareholders of record as at February 18, 2016 amounting to ₱1.20 per share payable on March 1, 2016. SMPFC's BOD likewise declared on February 2, 2016 cash dividends to all preferred (series 2) shareholders of record as at February 18, 2016 amounting to ₱14.14225 per share payable on March 12, 2016.



- b. On March 11, 2016, the SEC issued the Certificate of Filing of Amended Articles of Incorporation approving the increase in SMMI's capital stock from ₱2,000.0 million, consisting of 20,000,000 common shares at a par value of ₱100.00 per share, to ₱4,000.0 million, consisting of 40,000,000 million shares at the same par value.

On the same date, SMMI reversed the June 2015 retained earnings appropriation amounting to ₱2,000.0 million.

- c. On March 11, 2016, the BOD of PF-Hormel approved the reversal of the retained earnings appropriation amounting to ₱2,000.0 million.



**ANNEX "E-1"**

**REPORT OF INDEPENDENT AUDITOR  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
San Miguel Pure Foods Company Inc.  
23<sup>rd</sup> Floor, The JMT Corporate Condominium  
ADB Avenue, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Pure Foods Company Inc. and Subsidiaries (the Group) as at and for the year ended December 31, 2015, included in the Form 17-A, and have issued our report thereon dated March 15, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedules of Annex 68-E is the responsibility of the Group's management. This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, as amended, and is not a required part of the basic consolidated financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2013

Valid until November 26, 2016

PTR No. 5321843

Issued January 5, 2016, Makati City

March 15, 2016  
Makati City, Metro Manila

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**

**INDEX TO FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2015**

A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	- AMOUNTS RECEIVABLE/ PAYABLE WITH RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS	
D	- INTANGIBLE ASSETS - OTHER ASSETS	
E	- LONG-TERM DEBT	
F	- INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE
G	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
H	- CAPITAL STOCK	

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**SCHEDULE A – FINANCIAL ASSETS**  
**DECEMBER 31, 2015**  
(Amounts in Thousands, except Number of Shares Data)

<b>Name of Issuing Entity / Description of Each Issue</b>	<b>Number of shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Statements of Financial Position</b>	<b>Value Based on Market Quotations at Dec. 31, 2015</b>	<b>Income (Loss) Received and Accrued</b>
Cash and cash equivalents		P9,283,850	P9,283,850	P180,920
Trade and other receivables - net		10,164,379	10,164,379	—
Derivative assets		10,378	10,378	(122,993) *
Available-for-sale financial assets	89,260	10,682	10,682	—
	<b>89,260</b>	<b>P19,469,289</b>	<b>P19,469,289</b>	<b>P57,927</b>

*\*This represents net mark-to-market losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as at year-end.*

See Notes 25, 31 and 32 of the Notes to the Consolidated Financial Statements.

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**ATTACHMENT TO SCHEDULE A's AVAILABLE-FOR-SALE FINANCIAL ASSETS**  
**DECEMBER 31, 2015**

(Amounts in Thousands, except Number of Shares Data)

<u>Name of Issuing Entity</u>	<u>No. of Shares or Principal Amount of Bonds and Notes</u>	<u>Valued Based on Market Quotation at December 31, 2015</u>
San Miguel Pure Foods Company Inc.		
Club Filipino	1	P150
Makati Sports Club, Inc.	1	420
Philippine Long Distance Telephone Company	325	666
Valle Verde Country Club, Inc.	1	400
Manila Electric Company	14,895	149
San Miguel Foods, Inc.		
Club Filipino	1	150
Makati Sports Club, Inc.	1	400
Philippine Long Distance Telephone Company	3,928	227
The Manila Southwoods Golf & Country Club, Inc.	1	750
Sta Elena Golf Club	1	3,000
Manila Electric Company	58,999	590
Tagaytay Highland Golf and Country Club	1	500
Pilipino Telephone Corporation	11,100	80
Royal Tagaytay Country Club	1	60
The Orchard Golf & Country Club	1	90
Magnolia, Inc.		
Alabang Country Club, Inc.	1	2,800
The Purefoods-Hormel Company, Inc.		
Capitol Hills Golf and Country Club, Inc.	1	28
PT San Miguel Pure Foods Indonesia		
Golf Club Bogor Raya	1	222
<b>Total Available-for-Sale Financial Assets</b>	<b>89,260</b>	<b>P10,682</b>

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**  
(Amounts in Thousands)

<b>NAME OF RELATED PARTY</b>	<b>BEGINNING BALANCE</b>	<b>ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS</b>	<b>AMOUNTS PAID/DEBIT MEMO</b>	<b>AMOUNTS WRITTEN OFF</b>	<b>TOTAL</b>	<b>CURRENT</b>	<b>NON CURRENT</b>	<b>ENDING BALANCE</b>
San Miguel Pure Foods Company Inc.	₱7,444	₱161	(₱7,602)	₱–	₱3	₱3	₱–	₱3
San Miguel Foods, Inc.	3,282,000	5,392,687	(7,831,721)	–	842,966	842,966	–	842,966
San Miguel Mills, Inc. and subsidiaries	271,508	392,395	(635,767)	–	28,136	28,136	–	28,136
The Purefoods-Hormel Company, Inc.	854,734	5,211,837	(5,575,997)	–	490,574	490,574	–	490,574
Magnolia, Inc. and subsidiaries	254,041	1,413,922	(1,504,839)	–	163,124	163,124	–	163,124
San Miguel Super Coffeemix Co., Inc.	108,507	170,128	(213,785)	–	64,850	64,850	–	64,850
San Miguel Pure Foods International, Limited and subsidiary	862,451	589,506	(1,405,966)	–	45,991	45,991	–	45,991
PT San Miguel Pure Foods Indonesia	60,489	6,548	(65,592)	–	1,445	1,445	–	1,445
	<b>₱5,701,174</b>	<b>₱13,177,184</b>	<b>(₱17,241,269)</b>	<b>₱–</b>	<b>₱1,637,089</b>	<b>₱1,637,089</b>	<b>₱–</b>	<b>₱1,637,089</b>

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

(Amounts in Thousands)

<b>NAME OF RELATED PARTY</b>	<b>BEGINNING BALANCE</b>	<b>ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS</b>	<b>AMOUNTS COLLECTED/ CREDIT MEMO</b>	<b>AMOUNTS WRITTEN OFF</b>	<b>TOTAL</b>	<b>CURRENT</b>	<b>NON CURRENT</b>	<b>ENDING BALANCE</b>
San Miguel Pure Foods Company Inc.	35,418	₱1,366,424	(₱1,235,872)	₱-	₱165,970	₱165,970	₱-	₱165,970
San Miguel Foods, Inc.	1,574,572	11,240,144	(12,225,777)	-	588,939	588,939	-	588,939
San Miguel Mills, Inc. and subsidiaries	226,745	2,760,783	(2,781,657)	-	205,871	205,871	-	205,871
The Purefoods-Hormel Company, Inc.	2,899,406	1,223,266	(3,621,403)	-	501,269	501,269	-	501,269
Magnolia, Inc. and subsidiaries	852,837	1,405,677	(2,091,872)	-	166,642	166,642	-	166,642
San Miguel Super Coffeemix Co., Inc.	76,695	69,890	(137,526)	-	9,059	9,059	-	9,059
San Miguel Pure Foods International, Limited and subsidiary	31,495	-	(31,495)	-	-	-	-	-
	<b>₱5,697,168</b>	<b>₱18,066,184</b>	<b>(₱22,125,602)</b>	<b>₱-</b>	<b>₱1,637,750</b>	<b>₱1,637,750</b>	<b>₱-</b>	<b>₱1,637,750</b>

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS**  
**DECEMBER 31, 2015**  
(Amounts in Thousands)

**Part A - Trademarks and Other Intangible Assets**

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve	Ending Balance
<b>Cost:</b>						
Trademarks and brand names	₱3,300,378	₱446,428	₱–	₱–	(₱248)	₱3,746,558
Software and licenses	876,541	10,923	(19)	–	(331)	887,114
Goodwill	177,029	–	–	–	–	177,029
Formulas and recipes	57,591	–	–	–	–	57,591
Franchise	–	7,000	–	–	–	7,000
	4,411,539	464,351	(19)	–	(579)	4,875,292
<b>Accumulated Amortization:</b>						
Software and licenses	458,157	162,319	(18)	–	(248)	620,210
<b>Net Book Value</b>	<b>₱3,953,382</b>	<b>₱302,032</b>	<b>(₱1)</b>	<b>₱–</b>	<b>(₱331)</b>	<b>₱4,255,082</b>

See Notes 4 and 15 of the Notes to the Consolidated Financial Statements.



**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS**  
**DECEMBER 31, 2015**  
(Amounts in Thousands)

**Part B - Other Noncurrent Assets**

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve/ Fair Value Reserve	Ending Balance
Idle Assets - net	₱86,315	₱–	₱503,406	(₱317,649)	₱678	₱272,750
Available-for-sale financial assets	9,962	–	–	–	720	10,682
Others - net	278,515	205,817	(138,163)	–	–	346,169
	<b>₱374,792</b>	<b>₱205,817</b>	<b>₱365,243</b>	<b>(₱317,649)</b>	<b>₱1,398</b>	<b>₱629,601</b>

See Notes 4, 14, 31 and 32 of the Notes to the Consolidated Financial Statements.

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**SCHEDULE E - LONG-TERM DEBT**  
**DECEMBER 31, 2015**  
(Amounts in Thousands)

Title of Issue	Agent/Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion of Debt	Noncurrent Transaction Cost	Amount Shown as Long-term	Current and Noncurrent	Interest Rates	Number of Periodic Installments	Interest Payments	Final Maturity
<u>Unsecured foreign currency-denominated term notes (expressed in Philippine peso):</u>													
<b>PT San Miguel Pure Foods Indonesia</b>													
Fixed	Standard Chartered Bank	P64,809	P64,809	P—	P64,809	P—	P—	P—	P64,809	12.85%, 12.45% and 13.27%	Bullet	Quarterly	Dec 2016

See Notes 18, 31 and 32 of the Notes to the Consolidated Financial Statements.

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**SCHEDULE H - CAPITAL STOCK**  
**DECEMBER 31, 2015**

Description	Number of Shares Authorized	Number of Shares Issued	Treasury Shares	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options	Number Of Shares Held		
						Related Party	Directors and Officers	Others
Common Shares	206,000,000	170,874,854	4,207,758	166,667,096	–	142,279,267	9	24,387,820
Preferred Shares	40,000,000	30,000,000	15,000,000	15,000,000	–	–	–	15,000,000
Total	<b>246,000,000</b>	<b>200,874,854</b>	<b>19,207,758</b>	<b>181,667,096</b>	–	<b>142,279,267</b>	<b>9</b>	<b>39,387,820</b>

See Note 19 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES  
AGING OF ACCOUNTS RECEIVABLE  
AS AT DECEMBER 31, 2015

I. AGING OF ACCOUNTS RECEIVABLE

Type of Receivable:	Total	Current	1-30 days	31-60 days	61-90 days	Over 90 days
A. Trade	₱9,644,689,443.18	₱5,745,383,181.86	₱2,668,866,314.25	₱368,720,291.10	₱122,619,973.48	₱739,099,682.49
Less: Allowance	588,046,126.66	-	-	-	-	588,046,126.66
Net Trade Receivable	9,056,643,316.52	5,745,383,181.86	2,668,866,314.25	368,720,291.10	122,619,973.48	151,053,555.83
B. Non-Trade	1,169,713,363.60	529,110,303.72	133,172,864.57	152,044,145.32	30,008,049.53	325,378,000.46
Less: Allowance	61,978,103.79	-	-	-	-	61,978,103.79
Net Non-Trade Receivable	1,107,735,259.81	529,110,303.72	133,172,864.57	152,044,145.32	30,008,049.53	263,399,896.67
Net Receivables	₱10,164,378,576.33	₱6,274,493,485.58	₱2,802,039,178.82	₱520,764,436.42	₱152,628,023.01	₱414,453,452.50

II. Accounts Receivable Description

Type of Accounts Receivable:	Nature/Description	Collection Period
a. Trade Receivables	Sales of fresh and processed meats, poultry, feeds, flour, breadfill, dairy-based products, desserts, cooking oils, biscuits and powder mixes, and importation and marketing of coffee and coffee-related products	
	San Miguel Foods, Inc	46 days
	San Miguel Mills, Inc. and subsidiaries	27 days
	Magnolia, Inc. and subsidiaries	43 days
	PT San Miguel Pure Foods Indonesia	63 days
	San Miguel Pure Foods International Limited and subsidiary	73 days
	San Miguel Super Coffeemix Co., Inc.	35 days
	The Purefoods-Hormel Company, Inc.	49 days
b. Non-Trade Receivables	Consists mainly of:	
	1. Advances to contract growers and breeders	Upon harvest of marketable broilers and hogs/ Upon harvest of eggs and fully grown parent stocks
	2. Receivables from truckers and toll partners	Upon demand or not over 60 days
	3. Insurance Claims	30 days from the date of offer settlement

III. Normal Operating Cycle

San Miguel Foods, Inc.	123 days
San Miguel Mills, Inc. and subsidiaries	81 days
Magnolia, Inc. and subsidiaries	106 days
PT San Miguel Pure Foods Indonesia	147 days
San Miguel Pure Foods International Limited and subsidiary	139 days
San Miguel Super Coffeemix Co., Inc.	239 days
The Purefoods-Hormel Company, Inc.	124 days



**ANNEX "E-2"**

**REPORT OF INDEPENDENT AUDITOR  
ON SUPPLEMENTARY SCHEDULE OF UNAPPROPRIATED  
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors  
San Miguel Pure Foods Company Inc.  
23rd Floor, The JMT Corporate Condominium  
ADB Avenue, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Pure Foods Company Inc. (a subsidiary of San Miguel Corporation) (the Company) as at and for the year ended December 31, 2015 and have issued our report thereon dated March 15, 2016. Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying supplementary schedule of unappropriated retained earnings available for dividend declaration for the year ended December 31, 2015 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities Regulation Code Rule 68, as amended, and is not part of the basic separate financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic separate financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic separate financial statements taken as a whole.

**REYES TACANDONG & Co.**

**HAYDEE M. REYES**

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2013

Valid until November 26, 2016

PTR No. 5321843

Issued January 5, 2016, Makati City

March 15, 2016  
Makati City, Metro Manila

**SAN MIGUEL PURE FOODS COMPANY INC.**  
**(A Subsidiary of San Miguel Corporation)**  
**23<sup>rd</sup> Floor, The JMT Corporate Condominium, ADB Avenue**  
**Ortigas Center, Pasig City**

**SCHEDULE OF RECONCILIATION OF**  
**UNAPPROPRIATED RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(Amounts in Thousands)

<b>Unappropriated Retained Earnings, beginning</b>		<b>₱3,615,518</b>
<b>Adjustments</b>		
Unrealized foreign exchange loss	₱2,866	
Unrealized mark-to-market gain	(31)	
Treasury stock	(182,094)	
Impairment loss on investment	127,983	
Deferred tax asset - net	(3,727)	<b>(55,003)</b>
<b>Unappropriated Retained Earnings, beginning as adjusted</b>		<b>3,560,515</b>
<b>Net Income based on the face of audited financial statements</b>	349,744	
<b>Non-actual losses</b>		
Impairment loss on investment	587,574	
Provision for income tax - deferred	738	
<b>Net Income Actual/Realized</b>		<b>938,056</b>
Dividend declarations during the year		<b>(1,736,403)</b>
<b>Unappropriated Retained Earnings, ending as adjusted</b>		<b>₱2,762,168</b>





**REPORT OF INDEPENDENT AUDITOR  
ON SUPPLEMENTARY SCHEDULES**

**ANNEX "E-3"**

The Stockholders and the Board of Directors  
San Miguel Pure Foods Company Inc.  
23<sup>rd</sup> Floor, The JMT Corporate Condominium  
ADB Avenue, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Pure Foods Company Inc. and Subsidiaries (the Group) as at and for the year ended December 31, 2015, and have issued our report thereon dated March 15, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule of Philippine Financial Reporting Standards and Interpretations and the Group Structure are the responsibility of the Group's management. The supplementary schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and are not part of the basic consolidated financial statements. The supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2013

Valid until November 26, 2016

PTR No. 5321843

Issued January 5, 2016, Makati City

March 15, 2016  
Makati City, Metro Manila

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**23<sup>rd</sup> Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City**  


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**SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS</b> Effective as at December 31, 2015		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRS Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards (PFRS)</b>				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Annual improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PFRS 3 (Revised)	Business Combinations	✓		
	Annual improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRS 8: Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27 (2011): Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10, PFRS 11, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10: Transition Guidance			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12:	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS</b> <b>Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
<b>Philippine Accounting Standards (PAS)</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 to 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 to 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 to 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Amendments to PAS 16: Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011	✓		

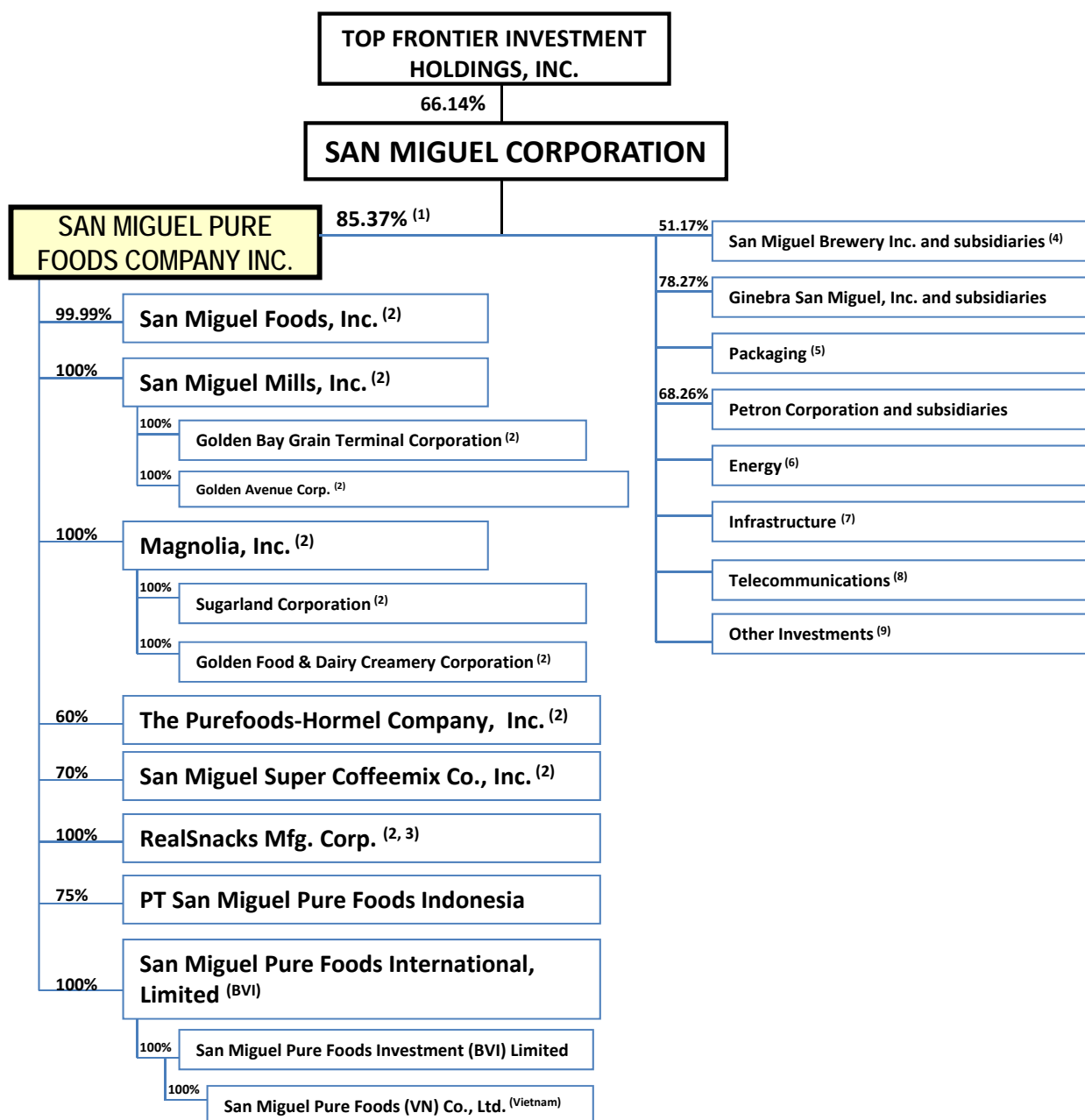
<b>PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Cycle: Interim Financial Reporting - Segment Assets and Liabilities			
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property - Classifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		
PAS 41	Agriculture	✓		
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC - 9: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS</b> <b>Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
<b>PHILIPPINE INTERPRETATIONS COMMITTEE QUESTIONS AND ANSWERS (PIC Q&amp;A)</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	✓		
PIC Q&A 2007-01 - Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying Non-Publicly Accountable Entities (NPAE)			✓
PIC Q&A 2008-01 - Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS) AND INTERPRETATIONS Effective as at December 31, 2015</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current /noncurrent classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost	✓		
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-03	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓

# SAN MIGUEL PURE FOODS COMPANY INC. GROUP STRUCTURE



(1) Excluding issued and outstanding series "2" preferred shares

(2) Incorporated in the Philippines

(3) Incorporated in April 2004 and has not yet started commercial operations

(4) Group includes Brewery Properties Inc. (40%), Iconic Beverages, Inc. (100%) and San Miguel Brewing International Ltd. and subsidiaries (100%)

(5) Packaging business includes San Miguel Yamamura Packaging Corporation and subsidiaries (65%), San Miguel Yamamura Packaging International Limited and subsidiaries (65%), San Miguel Yamamura Asia Corporation (60%) and Mindanao Corrugated Fibreboard, Inc. (100%)

(6) Energy business includes SMC Global Power Holdings Corp. and subsidiaries (100%)

(7) Infrastructure business includes Atlantic Aurum Investments BV (95%), Private Infra Dev Corporation (70.11%), Trans Aire Development Holdings Corp. (99.80%), Vertex Tollways Dev't. Inc. (100%), Universal LRT Corporation (BVI) Limited (51%), Cypress Tree Capital Investments, Inc. and subsidiaries (100%) and Manila North Harbour Port, Inc. (67.22%)

(8) Telecommunications business includes Liberty Telecoms Holdings, Inc. (97.46%), Bell Telecommunication Philippines, Inc. (100%), Eastern Telecommunications Philippines, Inc. (77.70%) and CobaltPoint Telecom, Inc. (88.17%)

(9) Other Investments include San Miguel Properties, Inc. (99.68%) and Bank of Commerce (39.93%)





**REPORT OF INDEPENDENT AUDITOR  
ON SUPPLEMENTARY SCHEDULE**

**ANNEX "E-4"**

The Stockholders and the Board of Directors  
San Miguel Pure Foods Company Inc.  
23<sup>rd</sup> Floor, The JMT Corporate Condominium  
ADB Avenue, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Pure Foods Company Inc. and Subsidiaries (the Group) as at and for the year ended December 31, 2015, and have issued our report thereon dated March 15, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary schedule of Financial Soundness Indicators is the responsibility of the Group's management. The supplementary schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic consolidated financial statements. The supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

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Makati City, Metro Manila

**SAN MIGUEL PURE FOODS COMPANY INC. AND SUBSIDIARIES**  
**23<sup>rd</sup> Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City**

**FINANCIAL SOUNDNESS INDICATORS**

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the periods indicated below.

KPI	December 2015	December 2014
Liquidity: Current Ratio	1.89	1.62
Solvency: Debt to Equity Ratio	0.56	0.85
Asset to Equity Ratio	1.56	1.85
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	16.98%	11.99%
Interest Rate Coverage Ratio	26.36	20.97

KPI	As at December 2015	As at December 2014
Operating Efficiency: Volume Growth	4.49%	0.23%
Revenue Growth	3.75%	3.23%
Operating Margin	7.15%	6.27%

The manner by which the Group calculates the above indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Return on Average Equity Attributable to Equity Holders of the Parent Company	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}^*}{\text{Average Equity Attributable to Equity Holders of the Parent Company}^{**}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left( \frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$
Revenue Growth	$\left( \frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

\* Excluding cash dividends paid to preferred shareholders

\*\* Excluding preferred capital stock and related additional paid-in capital



101042016000963



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
 Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

### Barcode Page

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 Received From : Head Office

Company Representative \_\_\_\_\_

Doc Source \_\_\_\_\_

### Company Information

SEC Registration No. 0000011840  
 Company Name SAN MIGUEL PURE FOODS COMPANY INC.  
 Industry Classification  
 Company Type Stock Corporation

### Document Information

Document ID 101042016000963  
 Document Type LETTER/MISC  
 Document Code LTR  
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 No. of Days Late 0  
 Department CED/CFD/CRMD/MRD/NTD  
 Remarks consolidated changes in the acgr for 2015

SEC COPY

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

23	r	d	F	I	r.		J	M	T		B	I	d	g.		A	D	B	
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A	v	e.		P	a	s	i	g		C	i	t	y						
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(Business Address: No. Street City/Town/Province)

ALEXANDRA B. TRILLANA

Contact Person

(632) 317-5450

Company Telephone Number

CONSOLIDATED CHANGES IN THE ACGR FOR 2015

--	--

Month

--	--

Day

S	E	C	-	F	O	R	M
---	---	---	---	---	---	---	---

FORM TYPE

--	--

Month

--	--

Day

Annual Meeting

--

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this Doc.

--

Amended Articles Number/Section

--

Total No. of Stockholders

Total Amount of Borrowings

--

Domestic

--

Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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LCU

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Document I. D.

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Cashier

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STAMPS

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**SECRETARY'S CERTIFICATE**

I, **ALEXANDRA BENGSON TRILLANA**, of legal age, married, Filipino, with office address at the 22<sup>nd</sup> Floor of The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila, Philippines, after having been duly sworn in accordance with law, do hereby depose and state that:

1. I am Corporate Secretary of **SAN MIGUEL PURE FOODS COMPANY INC.** (the "Corporation" or "Company"), a corporation duly organized and registered in accordance with the laws of the Republic of the Philippines, with principal address at the 23<sup>rd</sup> Floor of The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila, Philippines.

2. As Corporate Secretary, I have under my supervision and control the Minutes Book wherein are recorded all the minutes of the meetings of the Board of Directors of the Corporation (the "Board").

3. At the Special Meeting of the Board held on **February 3, 2015**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the Board unanimously passed and approved the following, as reflected in the minutes of the said meeting:

**Resolution No. 2015-02-03-01**

"RESOLVED, that a cash dividend of P20.00 per preferred share be paid on March 3, 2015 to all preferred stockholders of record as of February 17, 2015, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer book of the Company be closed from February 18 to 24, 2015."

xxx

**Resolution No. 2015-02-03-02**

"RESOLVED, that a cash dividend of P1.20 per common share be paid on March 3, 2015 to all outstanding common stockholders of record as of February 17, 2015, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer book of the Company be closed from February 18 to 24, 2015."

4. At the Regular Meeting of the Board held on **March 20, 2015**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the Board unanimously passed and approved the following, as reflected in the minutes of the said meeting:

**Resolution No. 2015-03-20-02**

"RESOLVED, as it is hereby resolved, that the Board of Directors approve the submission to the Securities and Exchange Commission and Philippine Stock Exchange of the Annual Report of the Company or SEC Form 17-A for the year ended December 31, 2014, including the audited 2014 Consolidated Financial Statements of SMPFC and its subsidiaries, as presented;

RESOLVED, FURTHER, that the accounting firm of Reyes Tacandong & Co. be nominated as external auditors of the Company for fiscal year 2015, in the Annual Stockholders' Meeting of the Company on May 8, 2015;

RESOLVED, FURTHER, that the Consolidated Changes in the Annual Corporate Governance Report of the Company for 2014, with the accompanying Secretary's Certificate, be approved;

RESOLVED, FINALLY, that the 2014 Corporate Governance Guidelines Disclosure Survey be approved for submission to the Philippine Stock Exchange on or before March 31, 2015."



xxx

**Resolution No. 2015-03-20-03**

"RESOLVED, as it is hereby resolved, that the following qualified persons be nominated as members of the Board of Directors of the Company for ensuing year and until their successors are duly elected and qualified, in the Annual Stockholders' Meeting of the Company on May 8, 2015:

1. Mr. Eduardo M. Cojuangco, Jr.
2. Mr. Ramon S. Ang
3. Mr. Francisco S. Alejo III
4. Mr. Menardo R. Jimenez
5. Mr. Mario C. Garcia
6. Mr. Carmelo L. Santiago (Independent)
7. Mr. Silvestre H. Bello III (Independent)
8. Mr. Edgardo P. Cruz (Independent)
9. Ms. Minita V. Chico-Nazario (Independent)"

xxx

**Resolution No. 2015-03-20-04**

"RESOLVED, as it is hereby resolved, that the Board of Directors approve the amendment in Article II, Section 1-A of the By-Laws to state that the Corporation shall have at least two independent directors or such number as may be required by applicable laws and regulations.

RESOLVED, FURTHER, That Article II, Section 1-A of the By-Laws of the Corporation be amended to read as follows:

"Article II (Board of Directors)

xxx

1-A. Independent Directors

(a) The Corporation shall have at least two independent directors or such other number as may be required by applicable laws and regulations. One (1) of the nine (9) directors provided in Section 1, above shall be independent directors. For this purpose, an independent director shall mean 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.

xxx"

RESOLVED, FURTHER, That the amendment to the By-Laws as aforesaid, be presented for the approval of the stockholders of the Corporation at the annual meeting.

RESOLVED, FINALLY, That any officer or authorized representative of the Corporation be, as he or she is hereby, authorized and directed to sign, execute and file any and all required certificates and other documents with the Securities and Exchange Commission and other government agencies, as well as do all things necessary or appropriate to effect the foregoing resolutions."

xxx

Atty. Trillana informed the Board that the 2015 Annual Stockholders' Meeting of the Company will be held on May 8, 2015, which is the second Friday of May, in accordance with the Company's By-laws.

In this connection:

- (i) The record date for stockholders entitled to vote will be on April 7, 2015;



- (ii) The closing of the stock and transfer book will be from April 8 to 15, 2015;
- (iii) The deadline for submission of proxies will be on April 23, 2015; and
- (iv) The validation of proxies will be on April 30, 2015.

The Agenda of the Meeting shall be as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on May 9, 2014
3. Presentation of the Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Approval of Amendment to the By-laws, particularly Article II on the number of independent directors of the Company
6. Appointment of External Auditors
7. Election of the Board of Directors
8. Other Matters
9. Adjournment

On motion duly made and seconded, the Board approved the foregoing, as presented.

5. At the Regular Meeting of the Board held on **May 7, 2015**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the Board unanimously passed and approved the following, as reflected in the minutes of the said meeting:

**Resolution No. 2015-05-07-03**

"RESOLVED, that a cash dividend of P1.20 per common share be paid on June 5, 2015 to all outstanding common stockholders of record as of May 22, 2015, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company;

RESOLVED, FINALLY, that the stock and transfer book of the Company be closed from May 23 to 29, 2015."

xxx

**Resolution No. 2015-05-07-04**

"RESOLVED, that a cash dividend based on the 5.6569% per annum dividend rate as provided in the series 2 preferred shares offer be paid on June 12, 2015 to all series 2 preferred stockholders of record as of May 22, 2015, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

RESOLVED, FINALLY, that the stock and transfer book of the Company be closed from May 23 to 29, 2015."

6. At the Annual Stockholders' Meeting of the Corporation held on **May 8, 2015**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the following persons (among others) were present or in attendance, and the following matters were taken up or approved by the stockholders, as the case may be, as reflected in the minutes of the said meeting:

**DIRECTORS PRESENT:**

MR. EDUARDO M. COJUANGCO, JR. – Chairman  
 MR. RAMON S. ANG – Vice Chairman  
 MR. FRANCISCO S. ALEJO III – President  
 MR. MENARDO R. JIMENEZ  
     (also Chairman of Executive Compensation Committee)  
 MR. CARMELO L. SANTIAGO  
     (also Chairman of Audit Committee and  
     Nomination and Hearing Committee)  
 MR. MARIO C. GARCIA  
 MR. SILVESTRE H. BELLO III  
 MR. EDGARDO P. CRUZ



IN ATTENDANCE:

MS. MINITA V. CHICO-NAZARIO  
 MR. FERDINAND K. CONSTANTINO  
 MS. ZENaida M. POSTRADO  
 MS. MA. SOLEDAD E. OLIVES  
 ATTY. ALEXANDRA B. TRILLANA  
 ATTY. MA. CELESTE L. RAMOS

xxx

The Corporate Secretary, Atty. Alexandra B. Trillana, certified that notice of the meeting was sent to each stockholder of record as of April 7, 2015 in accordance with the By-laws and applicable rules. The notice was disclosed as early as March 20, 2015 via the Philippine Stock Exchange. Atty. Trillana next certified that there was a quorum for the meeting. There was present in person or by proxy, 88.62% of the outstanding common shares and 0.81% of the outstanding series 2 preferred shares, for a total of about 81.37% of the outstanding capital stock of San Miguel Pure Foods Company Inc. (SMPFC or the "Company"), comprising both common and preferred shares. The Corporate Secretary informed the assembly that the Chairman holds proxy for 81.37% of the outstanding capital stock of the Company and that he is voting in favor of all corporate actions in the Agenda submitted for approval in the meeting.

The Corporate Secretary further noted that as stated in the Information Statement distributed to the stockholders prior to the meeting, each stockholder shall be allowed one vote per share and the election of the Board of Directors shall be by cumulative voting by the common shareholders. In this regard, stockholders entitled to vote may elect directors individually. Preferred shareholders shall vote only on the proposal to amend the By-laws of the Company.

Stockholders have been given a ballot upon registration at the meeting, which ballot will enable him/her to vote in writing on each item or proposal in the Agenda. The rationale and explanation of each item for approval in the Agenda are in the Information Statement distributed to stockholders prior to the meeting, and also posted in the Company's website. Each proposed resolution for consideration by the stockholders will be shown on the screen in front as it is taken up.

The Corporate Secretary then mentioned that the ballot box where stockholders may cast their ballots, had been prominently placed by the entrance of the venue for the convenience of the stockholders, who may cast their ballots anytime. The ballot boxes will be opened shortly after the announcement of a recess. The Company's independent stock transfer agent will canvass the votes with the assistance of the Office of the Corporate Secretary. The external auditors of the Company are likewise present at the meeting to validate the results of the voting, if necessary.

xxx

Before the Chairman delivered the Annual Report for 2014 to the stockholders, he said that the audited consolidated financial statements of the Company as at and for the year ended December 31, 2014 had been provided to the stockholders together with the Information Statement for the meeting, and have likewise been posted on the Company's website. xxx

An open forum followed the report, wherein the stockholders were given the opportunity to ask questions and/or raise issues.

The following questions were asked and answered:

**(a) What are your plans for La Pacita?**

Mr. Alejo, President, replied that the Company plans to grow the business and transform La Pacita to become one of the top biscuits in the country. The first step is to improve distribution of the products to bring La Pacita closer to consumers. The Company will study the biscuits category some more. There are also plans to invigorate the brand and introduce new products.

**(b) Further to the successful listing of the Company's series 2 preferred shares, does the Company have plans of raising funds again in the near future?**



Chairman Eduardo Cojuangco, Jr. responded in the affirmative, especially in support of the Food Group's expansion and acquisition plans.

**(c) Are there plans to increase the public float from the current 15%?**

In response, Chairman Cojuangco said yes, there are plans to increase the public float of the Company. The increase is just a matter of timing depending on market conditions."

xxx

**Resolution No. 2015-05-08-04**

"**RESOLVED**, that the proposal to amend Article II, Section 1-A of the By-laws of San Miguel Pure Foods Company Inc. to state that the Corporation shall have at least two independent directors or such other number as may be required by applicable laws and regulations, as presented, be approved and ratified."

xxx

**Resolution No. 2015-05-08-05**

"**RESOLVED**, that San Miguel Pure Foods Company Inc. appoints the accounting firm of Reyes Tacandong & Co., as external auditors of the Company for fiscal year 2015, as presented."

xxx

A stockholder said that considering that there were only nine nominees, he moves that the balloting be dispensed with and all nine nominees be unanimously elected as Directors of the Company. The motion was duly seconded by another stockholder. For the record, the Chairman informed the stockholders that he was distributing his votes equally for all candidates, unless otherwise instructed in the proxies held by him. There being no objection to the motion, the following resolution shown on the screen was approved and adopted by the Chairman and stockholders of the Company owning more than 2/3 of its outstanding capital stock:

**Resolution No. 2015-05-08-06**

"**RESOLVED**, to elect the following as members of the Board of Directors of San Miguel Pure Foods Company Inc., to serve as such beginning May 08, 2015 and until their successors are elected and qualified:

Mr. Eduardo M. Cojuangco, Jr.  
Mr. Ramon S. Ang  
Mr. Francisco S. Alejo III  
Mr. Menardo R. Jimenez  
Mr. Mario C. Garcia  
Mr. Carmelo L. Santiago  
Mr. Silvestre H. Bello III  
Justice Edgardo P. Cruz  
Justice Minita V. Chico-Nazario."

xxx

Approximately 15 minutes into the recess, the Chairman directed the Corporate Secretary to read the results of the canvass of the ballots.

Atty. Trillana informed the assembly that:

There were 147,705,318 votes from stockholders owning or representing 88.623% of the outstanding capital stock of the Company entitled to vote, in favor of the approval of the minutes of the Annual Stockholders' Meeting held on May 9, 2014;

There were 147,620,708 votes from stockholders owning or representing 88.572% of the outstanding capital stock of the Company entitled to vote, in favor of the approval of the Annual Report of the Company for 2014, as presented;



There were 147,620,708 votes from stockholders owning or representing 88.572% of the outstanding capital stock of the Company entitled to vote, in favor of the ratification of the acts and proceedings of the Board of Directors and Corporate Officers of the Company;

There were 147,826,818 votes from stockholders owning or representing 81.373% of the outstanding capital stock of the Company entitled to vote, in favor of the amendment to the Company's By-laws, particularly Article II on the number of independent directors;

There were 147,645,918 votes from stockholders owning or representing 88.587% of the outstanding capital stock of the Company entitled to vote, in favor of the appointment of Reyes Tacandong & Co. as external auditors of the Company for the fiscal year 2015.

The Chairman then declared that based on the results of the canvassing, the aforementioned corporate actions presented to the stockholders are approved and ratified.

7. At the Organizational Meeting of the Board held on **May 8, 2015**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the Board unanimously passed and approved the following, as reflected in the minutes of the said meeting:

**Resolution No. 2015-05-08-01**

"**RESOLVED**, that the following be elected to the officer positions opposite their respective names, which positions are designated in the By-laws and Manual on Corporate Governance of San Miguel Pure Foods Company Inc., to serve as such beginning May 08, 2015 and until their successors are elected and qualified:

Eduardo M. Cojuangco, Jr.	-	Chairman
Ramon S. Ang	-	Vice Chairman
Francisco S. Alejo III	-	President
Zenaida M. Postrado	-	Treasurer and Chief Finance Officer
Ma. Soledad E. Olives	-	Compliance Officer
Alexandra B. Trillana	-	Corporate Secretary
Ma. Celeste L. Ramos	-	Assistant Corporate Secretary."

xxx

**Resolution No. 2015-05-08-02**

"**RESOLVED**, that the following be elected to the Committees of the Board of Directors of San Miguel Pure Foods Company Inc. as provided in its Manual on Corporate Governance, to serve as such beginning May 08, 2015 and until their successors are elected and qualified:

**Executive Committee**

Eduardo M. Cojuangco, Jr. – Chairman  
 Ramon S. Ang  
 Francisco S. Alejo III  
 Minita V. Chico-Nazario

**Audit Committee**

Carmelo L. Santiago – Chairman  
 Menardo R. Jimenez  
 Edgardo P. Cruz  
 Minita V. Chico-Nazario  
 Ferdinand K. Constantino – Non Director Member

**Executive Compensation Committee**

Menardo R. Jimenez – Chairman  
 Carmelo L. Santiago  
 Ramon S. Ang  
 Ferdinand K. Constantino – Non Director Member



### Nomination and Hearing Committee

Carmelo L. Santiago – Chairman  
 Francisco S. Alejo III  
 Menardo R. Jimenez  
 Casiano B. Cabalan, Jr. – Ex Officio Member.”

8. At the Regular Meeting of the Board held on **August 6, 2015**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the following were taken up and/or approved by the Board, as reflected in the minutes of the said meeting:

Director Carmelo L. Santiago, Chairman of the Audit Committee, reported that the Audit Committee met earlier in the afternoon to consider the 2015 First Semester Report on Financial Performance and Financial Position of the Company, the Report of the Internal Auditors, the Report of the External Auditor, and the Report of the Compliance Officer.

xxx

xxx The Committee also approved the resignation of the head of the Internal Audit Group of the Company, effective September 15, 2015, as she will be migrating with her family to the United States. Her proposed replacement will be submitted to the Audit Committee for approval, as soon as ready.

The external auditor presented their audit plan and timetable for the Company and its subsidiaries for the year ending December 31, 2015, including audit strategies and key risk areas, which were then approved by the Committee.

The Compliance Officer reminded the Board of the requirement of the SEC, as reflected in the Company's Manual on Corporate Governance, for Directors and key officers to attend a seminar or program on corporate governance at least once a year. The seminar should be conducted by a training provider duly accredited by the Commission. In line with this, the Company is organizing the required seminar to be conducted by the SEC-accredited Risks, Opportunities Assessment and Management (ROAM), Inc. on September 25, 2015. The directors were requested to mark this date on their calendars. The Company will give further information on the details of the seminar. Those who will not be able to attend may attend any of the other seminars to be organized by the other publicly listed companies of the San Miguel Group.

The Board noted the Audit Committee report as presented. xxx

xxx

#### **Resolution No. 2015-08-06-04**

“**RESOLVED**, that a cash dividend based on the 5.6569% per annum dividend rate as provided in the series 2 preferred shares offer of San Miguel Pure Foods Company Inc. (the “Company”) be paid on September 12, 2015 to all series 2 preferred stockholders of record of the Company as of August 24, 2015, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

**RESOLVED, FINALLY**, that the stock and transfer book of the Company be closed from August 25 to 31, 2015.”

xxx

#### **Resolution No. 2015-08-06-05**

“**RESOLVED**, that a cash dividend of P1.20 per common share be paid on September 4, 2015 to all outstanding common stockholders of record of San Miguel Pure Foods Company Inc. (the “Company”) as of August 24, 2015, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company;

**RESOLVED, FINALLY**, that the stock and transfer book of the Company be closed from August 25 to 31, 2015.”



9. At the Regular Meeting of the Board held on **November 6, 2015**, at which meeting a quorum was present and acting throughout for the valid transaction of business, the following were taken up and/or approved by the Board, as reflected in the minutes of the said meeting:

Director Carmelo L. Santiago, Chairman of the Audit Committee, reported that the Audit Committee met earlier in the afternoon to consider the 2015 Third Quarter Report on Financial Performance and Financial Position of the Company, the appointment of the new Internal Audit Group Head, the report of Internal Auditors, the Report of the External Auditor, and the Report of the Compliance Officer and Other Matters.

xxx

The Committee then approved the appointment of Ms. Ophelia L. Fernandez as the head of the Internal Audit Group of the Company, effective immediately.

Thereafter, the internal auditors presented the status of their 2015 Audit Plan, Audit Highlights and the proposed 2016 Audit Plan, which the Audit Committee approved.

xxx

The Compliance Officer reported on the 2015 Implementing Rules and Regulations of the Securities Regulation Code issued by the SEC. The Self-Assessment Worksheet for the members of the Audit Committee was likewise circulated.

The Committee also approved the proposal to adopt a Whistle-Blowing Policy for the Food Group. The Policy is aligned with, and supplements, San Miguel Corporation's whistle Blowing Policy. It aims to deter and uncover corrupt, illegal, unethical, fraudulent or other conduct detrimental to the interest of the Company committed by its employees, as well as contractors and suppliers.

The Committee likewise reminded the Directors to accomplish the questionnaire to be circulated to measure Board performance, in accordance with the Manual on Corporate Governance.

The Board noted the Audit Committee report, as presented. xxx

xxx

**Resolution No. 2015-11-06-02**

**"RESOLVED**, as it is hereby resolved, that the Board of Directors of San Miguel Pure Foods Company Inc. (the "Company") approve the Whistle Blowing Policy of the Company and its subsidiaries."

xxx

**Resolution No. 2015-11-06-05**

**"RESOLVED**, that a cash dividend based on the 5.6569% per annum dividend rate as provided in the series 2 preferred shares offer of San Miguel Pure Foods Company Inc. (the "Company") be paid on December 12, 2015 to all series 2 preferred stockholders of record of the Company as of November 24, 2015, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company.

**RESOLVED, FINALLY**, that the stock and transfer book of the Company be closed from November 25 to 27, 2015."

xxx

**Resolution No. 2015-11-06-06**

**"RESOLVED**, that a cash dividend of P1.20 per common share be paid on December 4, 2015 to all outstanding common stockholders of record of San Miguel Pure Foods Company Inc. (the "Company") as of November 24, 2015, and such amounts as may be necessary therefor be appropriated out of the unappropriated retained earnings of the Company;



**RESOLVED, FINALLY**, that the stock and transfer book of the Company be closed from November 25 to 27, 2015."

10. This Secretary's Certificate is issued in compliance with SEC Memorandum Circular No. 12, Series of 2014, to support the Consolidated Changes in the Annual Corporate Governance Report of the Company for 2015 attached hereto as Annex "A".

**IN WITNESS WHEREOF**, I have hereunto signed these presents on JAN 04 2016 at PASIG CITY.

*Alexandra Bengson Trillana*  
**ALEXANDRA BENGSON TRILLANA**  
 Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this JAN 04 2016, affiant exhibiting to me her Passport No. EC0224777 issued on February 6, 2014 at Manila.


Doc. No. 426  
 Page No. 89  
 Book No. VIII  
 Series of 2016.

*MA. CELESTE J. LEGASPI*  
**MA. CELESTE J. LEGASPI**  
 Notary Public for Pasig City  
 Commission until 31 December 2016  
 22<sup>nd</sup> Floor, JMT Corporate Condominium,  
 ADB Ave., Ortigas Center, Pasig City  
 APPT No. 157 (2015-2016)/Roll No. 47611  
 PTR No. 0396439; 1/13/2015; Pasig City  
 IBP No. 0990400; 1/12/2015; Pasig City

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM – ACR

### ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year Ended: **December 31, 2012**<sup>1 2 3 4</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**  
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

---

<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.

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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>5</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>6</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Eduardo M. Cojuangco Jr.	NED	SMC <sup>7</sup>	SMC	May 22, 2001	May 8, 2015	Annual Meeting	14
Ramon S. Ang	NED	SMC	SMC	May 13, 2001	May 8, 2015	Annual Meeting	14
Francisco S. Alejo III	ED	SMC	SMC	May 22, 2001	May 8, 2015	Annual Meeting	14
Edgardo P. Cruz	ID	N/A <sup>8</sup>	Ramon S. Ang – no relation	Nov. 7, 2013	May 8, 2015	Annual Meeting	1
Carmelo L. Santiago	ID	N/A	Ramon S. Ang – no relation	Aug. 12, 2010	May 8, 2015 (Less than 5 years as ID from Jan. 2, 2012)	Annual Meeting	Less than 5 years
Menardo R. Jimenez	NED	SMC	SMC	April 25, 2002	May 8, 2015	Annual Meeting	13
Mario C. Garcia	NED	SMC	SMC	Nov. 4, 2009	May 8, 2015	Annual Meeting	6
Silvestre H. Bello III	ID	N/A	Ramon S. Ang – no relation	May 10, 2013	May 8, 2015	Annual Meeting	2
Angelina S.	ID	N/A	Ramon S. Ang	May	May 9, 2014 (1	Annual	1 <sup>9</sup>

<sup>5</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>6</sup> Reckoned from the election immediately following January 2, 2012.

<sup>7</sup> SMC – San Miguel Corporation

<sup>8</sup> N/A – Not applicable

<sup>9</sup> As reported in SEC Form 17-C filed with the SEC on October 17, 2014, Ms. Gutierrez resigned as Independent Director of the Company effective October 8, 2014.

Gutierrez			no relation	10, 2013	year as ID)	Meeting	
Minita V. Chico-Nazario	ID	N/A	Ramon S. Ang – no relation	May 8, 2015	May 8, 2015	Annual Meeting	0

- (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>10</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>11</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.

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

<sup>10</sup> Update per SEC Form 17-C filed with the SEC on March 27, 2014.

<sup>11</sup> Update per SEC Form 17-C filed with the SEC on June 25, 2014.

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>12</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>13 14</sup>

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.

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<sup>12</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>13</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>14</sup> Update to expound on response per advisement letter filed with the SEC on May 8, 2015.

- (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 last reviewed and approved the vision and mission of the Company on August 8, 2013.**<sup>15</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>16</sup>

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group<sup>17</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>18</sup>
	<b>Manila Electric Company</b>	<b>NED</b> <sup>19</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>20</sup>
	San Miguel Super Coffeemix Co., Inc.	<b>NED</b> <sup>21</sup>
	Sugarland Corporation	<b>NED</b> <sup>22</sup> , also Chairman
	Golden Food & Dairy Creamery Corporation	<b>NED</b> <sup>23</sup> , also Chairman
	Realsnacks Mfg. Corp.	ED, also Chairman

<sup>15</sup> Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>16</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

<sup>17</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

<sup>18</sup> As updated for the year ended December 31, 2014, per SEC Form 17-A filed with the SEC on April 15, 2015.

<sup>19</sup> Update highlighted per advisement letter filed with the SEC on April 3, 2014.

<sup>20</sup> As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

<sup>21</sup> As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

<sup>22</sup> As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

<sup>23</sup> As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

	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>	<b>ID</b> <sup>24</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:

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>25</sup>
Ramon S. Ang	Petron Corporation	ED, also Chairman <sup>26</sup>
	Liberty Telecoms Holdings Inc.	NED, also Chairman
	Ginebra San Miguel, Inc.	NED
	<b>PAL Holdings, Inc.</b>	<b>NED, also Chairman</b> <sup>27</sup>
	<b>Philweb Corporation</b>	<b>NED</b> <sup>28</sup>
	San Miguel Brewery Hong Kong Limited	NED, also Chairman
	Petron Malaysia Refining & Marketing Berhad	ED, also Chairman
	<b>Alphaland Corporation</b>	<b>ID</b> <sup>29</sup>
Carmelo L. Santiago	Liberty Telecoms Holdings Inc.	ID
	San Miguel Brewery Hong Kong Limited	ID
<b>Angelina S. Gutierrez</b>	<b>Ginebra San Miguel, Inc.</b>	<b>ID</b> <sup>30 31</sup>
<b>Minita V. Chico-Nazario</b>	<b>Ginebra San Miguel, Inc.</b>	<b>ID</b> <sup>32</sup>
<b>Francisco S. Alejo III</b>	<b>Ginebra San Miguel, Inc.</b>	<b>NED</b> <sup>33</sup>

<sup>24</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>25</sup> Update highlighted per advisement letter filed with the SEC on February 11, 2015.

<sup>26</sup> Update highlighted per advisement letter filed with the SEC on February 11, 2015.

<sup>27</sup> Update highlighted per advisement letter filed with the SEC on October 24, 2014.

<sup>28</sup> Update highlighted per advisement letter filed with the SEC on March 13, 2014.

<sup>29</sup> Update highlighted per advisement letter filed with the SEC on March 13, 2014.

<sup>30</sup> As updated for the year ended December 31, 2013, per SEC Form 17-A filed with the SEC on April 15, 2014.

<sup>31</sup> As reported in SEC Form 17-C filed with the SEC on October 17, 2014, Ms. Gutierrez resigned as Independent Director of the Company effective October 8, 2014.

<sup>32</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>33</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>34</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> <sup>36</sup>

<sup>34</sup> Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>35</sup> With updates highlighted 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 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; 10,000 preferred shares	N/A 43,000 common shares; 1,000 Series 2 preferred shares	0%
<b>Edgardo P. Cruz</b>	<b>1 common share</b>	<b>N/A</b>	<b>0%</b>
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%
<b>Silvestre H. Bello III</b>	<b>1 common share</b>	<b>N/A</b>	<b>0%</b>
Angelina S. Gutierrez	1 common share	N/A	0% <sup>38</sup>
<b>Minita V. Chico-Nazario</b>	<b>1 common share</b>	<b>N/A</b>	<b>0%</b>
<b>TOTAL</b>	<b>9 common shares; 10,000 preferred shares</b>	<b>5,500 preferred shares; 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 Board; Maintains effective lines of communication and flow of information between the Board and management	In the absence of the Chairman, presides at all meetings of the Board and shareholders; Exercises general 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	Accountable to the Board of

<sup>37</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>38</sup> As reported in SEC Form 17-C filed with the SEC on October 17, 2014, Ms. Gutierrez resigned as Independent Director of the Company effective October 8, 2014.

	Company; Ensures that Board and Shareholder meetings are held in accordance with By-laws; Assists in ensuring compliance with corporate governance guidelines	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 is one of trust and confidence, he/she shall exercise independent judgment and act in a manner characterized by transparency, accountability and	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 manner characterized by transparency, accountability and fairness, and in the best interest of the Company, its shareholders and other stakeholders.	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 confidence, he/she shall exercise independent judgment and act in a manner characterized by transparency, accountability and fairness, and in the best

	fairness, and in the best interest of the Company, its shareholders and other stakeholders.		<p>interest of the Company, its shareholders and other stakeholders.</p> <p>Currently, the Company's Independent Directors have been appointed as Chairpersons of the Audit Committee and Nomination and Hearing Committee.</p>
Accountabilities	<p>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.</p>	<p>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.</p>	<p>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.</p>
Deliverables	In addition to formulating policies and procedures to guide the Company's activities and monitor management's	In addition to formulating policies and procedures to guide the Company's activities and monitor management's	In addition to formulating policies and procedures to guide the Company's activities and monitor management's

	<p>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>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>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 Independent Directors sign/s the template on Corporate Governance Guidelines of the PSE and the Annual Corporate Governance Report for submission to</p>
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			the SEC.
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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 2015 Annual Stockholders' Meeting, Mr. Carmelo Santiago, Mr. Silvestre Bello III, Justice Edgardo Cruz and Justice Minita Chico-Nazario**, 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>39</sup>

Accordingly, 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. 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 the SEC Memorandum Circular No. 9, Series of 2011. Under the said memorandum circular, 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. After **serving as independent director for ten years**, he **or she** will be perpetually disqualified to be elected as an independent director of the Company.<sup>40</sup>

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

### (a) Resignation/Death/Removal

<sup>39</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>40</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

Indicate any changes in the composition of the Board of Directors that happened during the period:<sup>41 42</sup>

Name	Position	Date of Cessation	Reason
Cancio C. Garcia	ID	October 15, 2013	Death
Angelina S. Gutierrez	ID	October 8, 2014	Resignation

(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:

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</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>41</sup> With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

<sup>42</sup> With updates highlighted per SEC Form 17-C filed with the SEC on October 17, 2014.

	<p>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>43</sup> 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>	
(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>44</sup>	Same as the process for	Same as the criteria for

<sup>43</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

<sup>44</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

	<p>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, <b>including Rule 38 of the Securities Regulation Code and SEC Memorandum Circular No. 9, Series of 2011.</b></p> <p>Hence, among others, the Company shall have at least two ID or such number of ID that constitutes 20% of the directors of the nine-member Board of SMPFC.</p>	<p>selection/appointment of ED and NED above. In addition, ID shall have <b>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 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</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</p>

	<p>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. 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</p>	<p>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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	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.	
(ii) Non-Executive Directors	Same as the process for re-appointment of ED above.	Same as the criteria for re-appointment of ED above.
(iii) Independent Directors <sup>45</sup>	<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, <b>including Rule 38 of the Securities Regulation Code and SEC Memorandum Circular No. 9, Series of 2011.</b></p> <p>Hence, among others, the Company shall have at least two ID or such number of ID that constitutes 20% of the directors of the nine-member Board of SMPFC.</p>	<p>Same as the criteria for re-appointment of ED and NED above. <b>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. 9, Series of 2011.</b></p> <p><b>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:</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</b></p>

<sup>45</sup> As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

		<b>member other than those conducted at arm's length and are immaterial.</b>
<b>c. Permanent 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>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>46</sup>	Same as the process for permanent disqualification of ED and NED above.	Same as the criteria for permanent disqualification of ED and NED above. Further, <b>the Company observes SEC Memorandum Circular No. 9, series of 2011 on "Term Limits for Independent Directors"</b> . Accordingly, in business conglomerates such as the San Miguel Group of Companies, which includes SMPFC, an ID may be elected

<sup>46</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

		to only five corporations of the conglomerate. <b>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 shall be perpetually barred from serving as an ID of the Company or any corporation within its conglomerate.</b>
<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 <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 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</p>

		<p>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) 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>47</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 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</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 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</p>

<sup>47</sup> As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

	<p>deem necessary, also in accordance with the Corporation Code. However, a director shall not be removed without cause if it will deny minority shareholders representation in the Board.</p>	<p>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 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>48</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, the Company</p>

<sup>48</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

		<p>observes SEC Memorandum Circular No. 9, series of 2011 on "Term Limits for Independent Directors". Accordingly, 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.</p> <p>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 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> <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) 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>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</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. 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</p>	<p>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> <p>Moreover, in order for a temporarily disqualified director to be eligible for re-instatement, he shall, within 60 business days from such disqualification, take the appropriate action to remedy or correct the disqualification.</p>
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	shall have been duly elected and qualified.	
(ii) Non-Executive Directors	Same as the process for re-instatement of ED above.	Same as the criteria for re-instatement 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>49</sup>	<p>Same as the process for re-instatement 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. 9, Series of 2011.</p> <p>Hence, among others, the Company shall have at least two ID or such number of ID that constitutes 20% of the directors of the nine-member Board of SMPFC.</p>	<p>Same as the criteria for re-instatement of ED and NED above.</p> <p>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. 9, Series of 2011.</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</p>

<sup>49</sup> As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.



		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>g. Suspension</b>		
(i) Executive Directors <sup>50</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 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>Any of the following <b>grounds for the temporary disqualification of a director, may also be a ground for his/her</b> suspension:</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.	Same as the criteria for suspension of ED and NED above. Further:  (1) While the beneficial equity ownership of an ID in the Company or its subsidiaries

<sup>50</sup> As updated to adjust response and expound thereon, per advisement letter filed with the SEC on January 30, 2014.

		<p>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) 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>
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#### Voting Result of the last Annual General Meeting <sup>51</sup>

Name of Director	Votes Received
Eduardo M. Cojuangco Jr.	147,651,018
Ramon S. Ang	145,423,068
Francisco S. Alejo III	147,705,318
Menardo R. Jimenez	147,423,068
Mario C. Garcia	147,427,578
Carmelo L. Santiago	147,705,318
Silvestre H. Bello III	147,705,318
Edgardo P. Cruz	147,651,018
<b>Minita V. Chico-Nazario</b>	147,705,318

#### 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>52</sup> for the past three (3) years: 

<sup>51</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>52</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>53</sup> With updates highlighted for the year ended December 31, 2013.

<sup>54</sup> Update per SEC Form 17-C filed with the SEC on September 29, 2014.

<sup>55</sup> Update per SEC Form 17-C filed with the SEC on November 7, 2014.

<sup>56</sup> With updates highlighted for the year ended December 31, 2014.

<sup>57</sup> Update per SEC Form 17-C filed with the SEC on September 28, 2015.

<sup>58</sup> Update per SEC Forms 17-C filed with the SEC on October 21, 2015, November 12, 2015 and December 8, 2015.

- 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
- 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
- See also continuing education programs listed below for 2013
- 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
- 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
- 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

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. <sup>59</sup> <sup>60</sup> <sup>61</sup> <sup>62</sup> <sup>63</sup> <sup>64</sup>

Name of Director/Officer	Date of Training	Program	Name of Training Institution
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.
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.
Menardo R. Jimenez	September 2014	Seminar on Corporate Governance	SGV & Co.
	November 2015	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Mario C. Garcia	September 2014	Seminar on Corporate Governance	SGV & Co.
	September 2015	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Carmelo L. Santiago	September 2012	Directors Training: Role of Company Director and Regulatory Framework and Board Practices Overview of Risk Management	HKID

<sup>59</sup> With updates highlighted for the year ended December 31, 2013.

<sup>60</sup> With updates highlighted per SEC Form 17-C filed with the SEC on September 29, 2014.

<sup>61</sup> With updates highlighted per SEC Form 17-C filed with the SEC on November 7, 2014.

<sup>62</sup> With updates highlighted for the year ended December 31, 2014.

<sup>63</sup> With updates highlighted per SEC Form 17-C filed with the SEC on September 28, 2015.

<sup>64</sup> With updates highlighted per SEC Forms 17-C filed with the SEC on October 21, 2015, November 12, 2015 and December 8, 2015.

	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.
Edgardo P. Cruz	September 2014	Seminar on Corporate Governance	SGV & Co.
	September 2015	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
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>65</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.
Francisco S. Alejo III	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.

<sup>65</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.

		<b>Governance</b>	
	<b>September 2015</b>	<b>Seminar on Corporate Governance</b>	<b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b>
Zenaida M. Postrado	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	<b>February 2013</b>	<b>ASEAN Economic Community Forum</b>	<b>Pfizer</b>
	<b>September 2013</b>	<b>Customer Centricity Workshop</b>	<b>JCCI with Ms. Roxanne Aquino</b>
	<b>March 2014</b>	<b>Team Building and Planning Workshop</b>	<b>Ancilla Enterprise Development Consulting, Inc.</b>
	<b>June 2014</b>	<b>Code of Champions (Values Integration Seminar)</b>	<b>San Miguel Pure Foods University</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>September 2015</b>	<b>Seminar on Corporate Governance</b>	<b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b>
Ma. Soledad E. Olives	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	<b>February 2013</b>	<b>ASEAN Economic Community Forum</b>	<b>Pfizer</b>
	<b>September 2013</b>	<b>Customer Centricity Workshop</b>	<b>JCCI with Ms. Roxanne Aquino</b>
	<b>March 2014</b>	<b>Team Building and Planning Workshop</b>	<b>Ancilla Enterprise Development Consulting, Inc.</b>
	<b>June 2014</b>	<b>Code of Champions (Values Integration Seminar)</b>	<b>San Miguel Pure Foods University</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>September 2015</b>	<b>Seminar on Corporate Governance</b>	<b>Risks, Opportunities, Assessment and</b>

			<b>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
	<b>February 2013</b>	<b>ASEAN Economic Community Forum</b>	<b>Pfizer</b>
	<b>September 2013</b>	<b>Customer Centricity Workshop</b>	<b>JCCI with Ms. Roxanne Aquino</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>November 2014</b>	<b>Seminar on Corporate Governance</b>	<b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b>
	<b>September 2015</b>	<b>Seminar on Corporate Governance</b>	<b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b>
Rita Imelda B. Palabyab	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	<b>February 2013</b>	<b>ASEAN Economic Community Forum</b>	<b>Pfizer</b>
	<b>September 2013</b>	<b>Customer Centricity Workshop</b>	<b>JCCI with Ms. Roxanne Aquino</b>
	<b>October 2013</b>	<b>Retail Store Management</b>	<b>Trueeventus</b>
	<b>March 2014</b>	<b>Team Building and Planning Workshop</b>	<b>Ancilla Enterprise Development Consulting, Inc.</b>

	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.
	October 2015	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
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.
	September 2015	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
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



		<b>Economic Outlook</b>	
	<b>September 2014</b>	<b>Seminar on Corporate Governance</b>	<b>SGV &amp; Co.</b>
	<b>September 2015</b>	<b>Seminar on Corporate Governance</b>	<b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b>
Eliezer O. Capacio <sup>66</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)
	<b>February 2013</b>	<b>ASEAN Economic Community Forum</b>	<b>Pfizer</b>
	<b>September 2013</b>	<b>PMAP 50<sup>th</sup> Annual Convention</b>	<b>PMAP</b>
	<b>September 2013</b>	<b>Customer Centricity Workshop</b>	<b>JCCI with Ms. Roxanne Aquino</b>
Jennifer T. Tan	January 2012	Senior Leaders' Program on "Creativity and Innovation in the Global Marketplace"	JCCI with Prof. Roy Chua of HBS
	<b>February 2013</b>	<b>Seminar Regarding Flaxid</b>	<b>CSP International Commodities Corporation</b>
	<b>February 2013</b>	<b>ASEAN Economic Community Forum</b>	<b>Pfizer</b>
	<b>April 2013</b>	<b>ASA Sponsored: Soybean Crushing Facility Seminar</b>	<b>American Soybean Association</b>
	<b>July 2013</b>	<b>Code of Champs Seminar</b>	<b>Fr. Armand Robleza, SDB</b>
	<b>July 2013</b>	<b>Economic Briefing – ANZ Presentation</b>	<b>ANZ</b>
	<b>March 2014</b>	<b>Team Building and Planning Workshop</b>	<b>Ancilla Enterprise Development Consulting, Inc.</b>
	<b>June 2014</b>	<b>Code of Champions (Values Integration Seminar)</b>	<b>San Miguel Pure Foods University</b>
	<b>July 2014</b>	<b>LRP Economic Briefing: Global, Asian &amp; Philippine Economic Outlook</b>	<b>San Miguel Corporation</b>
	<b>September 2014</b>	<b>Seminar on Corporate Governance</b>	<b>SGV &amp; Co.</b>
	<b>November 2014</b>	<b>Cost Effective Purchasing and Efficient Procurement Management</b>	<b>HR Hub Human Resource Consultancy</b>
	<b>September 2015</b>	<b>Seminar on Corporate Governance</b>	<b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b>
<b>Rodolfo M. Abaya</b>	<b>July 2014</b>	<b>LRP Economic Briefing: Global, Asian &amp; Philippine</b>	<b>San Miguel Corporation</b>

<sup>66</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.

		<b>Economic Outlook</b>	
	<b>September 2014</b>	<b>PMAP: 51<sup>st</sup> Annual Conference</b>	<b>PMAP</b>
	<b>September 2014</b>	<b>Seminar on Corporate Governance</b>	<b>SGV &amp; Co.</b>
	<b>December 2014</b>	<b>Code of Champions (Values Integration Seminar)</b>	<b>San Miguel Pure Foods University</b>
	<b>September 2015</b>	<b>Seminar on Corporate Governance</b>	<b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</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)
	<b>February 2013</b>	<b>Mandatory Continuing Legal Education (MCLE) Lecture Series</b>	<b>Asian Center for Legal Excellence, Inc.</b>
	<b>February 2013</b>	<b>ASEAN Economic Community Forum</b>	<b>Pfizer</b>
	<b>March 2013</b>	<b>ASEAN Corporate Governance Scorecard Information Briefing</b>	<b>ICD</b>
	<b>September 2013</b>	<b>Customer Centricity Workshop</b>	<b>JCCI with Ms. Roxanne Aquino</b>
	<b>November 2013</b>	<b>Mastering the ASEAN Corporate Governance Scorecard (12<sup>th</sup> Annual Working Session)</b>	<b>ICD</b>
	<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>September 2015</b>	<b>Seminar on Corporate Governance</b>	<b>Risks, Opportunities, Assessment and Management (ROAM), Inc.</b>

## 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	<p>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 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 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.</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>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.</p> <p>Employees 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>
(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,</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</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</p>

	<p>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 competition and in compliance with applicable laws.</p>	<p>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, including accurate and truthful advertising, are employed.</p>	<p>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>
(c) Receipt of gifts from third parties	<p>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.</p>	<p>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.</p>	<p>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.</p>
(d) Compliance with Laws & Regulations	<p>Directors shall comply and respect all applicable laws, rules and regulations governing the Company's business, in all jurisdictions where such is conducted.</p>	<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,</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</p>

		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.	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.
(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 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	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 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.  The Company has a Policy on Dealings in Securities to prevent people with access to inside information from gaining	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 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.  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

	<p>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 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>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 any time when they are in possession of material non-public information concerning the Company.</p>	<p>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 concerning the Company.</p>
(f) Use of Company Funds, Assets and Information	<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</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</p>

		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 termination from employment.	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 termination from employment.
(g) Employment & Labor Laws & Policies	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>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</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</p>

		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.	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.
(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	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	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



	Committee. Other matters shall be directed to the appropriate supervisors or officers in accordance with the conventional reporting channels of the Food Group.	matters shall be directed to the appropriate supervisors or officers in accordance with the conventional reporting channels of the Food Group.	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>67</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.

<sup>67</sup> Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

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 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>68</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 transactions are fully disclosed in the Company's notes to its audited consolidated financial statements.
(7) Directors including spouse/children/siblings/parents <sup>69</sup>	<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.
(8) Interlocking director relationship of Board of Directors <sup>70</sup>	<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

<sup>68</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>69</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>70</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

	Company's notes to its audited consolidated financial statements.
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(b) Conflict of Interest

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

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

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

(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>71</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:

<sup>71</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

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.

- (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>72</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

<sup>72</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

	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>73</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 and settle concerns amicably.</b>

## 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>74</sup>

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Eduardo M. Cojuangco Jr.	May 8, 2015 (re-elected)	6	6	100%
Member	Ramon S. Ang	May 8, 2015 (re-elected)	6	5	83%
Member	Francisco S. Alejo III	May 8, 2015 (re-elected)	6	6	100%
Independent	Carmelo L. Santiago	May 8, 2015 (re-elected)	6	6	100%
Member	Menardo R. Jimenez	May 8, 2015 (re-elected)	6	6	100%
Member	Mario C. Garcia	May 8,	6	6	100%

<sup>73</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>74</sup> With updates highlighted per advisement letter filed with the SEC on January 4, 2016.

		2015 (re-elected)			
Independent	Silvestre H. Bello III	May 8, 2015 (re-elected)	6	4	67%
Independent	Edgardo P. Cruz	May 8, 2015 (re-elected)	6	6	100%
Independent	Minita V. Chico-Nazario	May 8, 2015	6	3	100% (since the time she was elected)

- 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 the year 2014, 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>75</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>76</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?

<sup>75</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

<sup>76</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.

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. The Corporate Secretary communicates **and works fairly and objectively** with the Board, management, the Company's shareholders, **stakeholders**<sup>77</sup> and the investing public. In this regard, the Corporate Secretary schedules Board meetings and gives prior notice to all 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>78</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

<sup>77</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>78</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.



	<p>resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment.</p>
Audit	<p>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, 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.</p>
Nomination and Hearing	<p>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.</p>
Executive Compensation	<p>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</p>

	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>79</sup>	The Board approved the following amendments to the Manual: (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	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>79</sup> Update per SEC Form 17-C filed with the SEC on March 27, 2014.

	<p>January 30 of the year;</p> <p>(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 of the year; and</p> <p>(iii) The attendance by directors and key officers of a corporate governance program by SEC-accredited training provider at least once a year.</p>	
<p>Manual on Corporate Governance<sup>80</sup></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>The Manual on Corporate Governance of the Company was amended in compliance with SEC Memorandum Circular No. 9, series of 2014.</p>

## 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	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

<sup>80</sup> Update per SEC Form 17-C filed with the SEC on June 25, 2014.

	fixing the remuneration packages of the Company's President, ensuring that compensation is consistent with the Company's culture, strategy, and control environment.	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 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.	Determined in accordance with 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>81</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	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

<sup>81</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

	director's fee in the amount to be fixed by the stockholders at a regular or special meeting duly called for that purpose.		determined in coordination with SMC. Any other director's fee shall be fixed by the stockholders at a meeting duly called for the purpose.
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>82</sup>

**The following is the aggregate remuneration received by the directors of the Company in the year 2014:**

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>P420,000.00</b>	<b>P400,000.00</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>P420,000.00</b>	<b>P400,000.00</b>

<sup>82</sup> With updates highlighted for the year ended December 31, 2014.

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
(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:

Name of Officer/Position	Total Remuneration
Chief Finance Officer and Treasurer	Php 95,680,971.17 <sup>83</sup>
Compliance Officer and Vice President for Corporate Planning	
President of Milling Business Cluster	
President of Agro-Industrial Business Cluster	
President of Branded Business Cluster	
Vice President and Division Human Resources Head	
Vice President and Foreign Operations and Export Business 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>84</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 Committee acts within such powers, duties and authority granted upon it by the Board.

<sup>83</sup> Update for the year ended December 31, 2014.

<sup>84</sup> As updated to adjust response, per advisement letter filed with the SEC on January 30, 2014.

						the Company or entities in which it has interests, and to perform such acts as may be necessary to transfer ownership 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	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.



						available for download from SMPFC's corporate website.	
Nomina- tion and Hearing	One (1)	Two (2)	One (1)	The Board approved the adoption of the Nomination and Hearing Committee Charter on August 10, 2012.	Tasked to make recommendations 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.	The Committee is responsible for the screening and shortlisting of candidates for Board directorship with the view of appointing individuals to the Board that are aligned with the Company's strategic directions and <sup>85</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	The Committee has the 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.

<sup>85</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

						responsibilities of the Committee, see also Manual previously filed with the SEC and Charter of Nomination and 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	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.

						Compensation Committee available for download from SMPFC's corporate website.	
Others (specify)	N/A						

## 2) Committee Members

### (a) Executive Committee<sup>86 87</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	0	N/A	12 years
Member (NED)	Ramon S. Ang	April 25, 2002	0	0	N/A	12 years
Member (ED)	Francisco S. Alejo III	April 25, 2002	0	0	N/A	12 years
Member (ID)	Angelina S. Gutierrez (until her resignation effective October 8, 2014)	Nov. 7, 2013	0	0	N/A	Less than 1 year
Member (ID)	Minita V. Chico Nazario	May 8, 2015				

### (b) Audit Committee<sup>88 89</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 (as Chairman, Nov. 7, 2013)	5	4	80	4 years
Member (NED)	Menardo R. Jimenez	June 27, 2008	5	5	100	6 years
Member (ID)	Angelina S. Gutierrez (until her resignation effective October 8, 2014)	May 10, 2013	5	3	80 (during her term)	1 year
Member (ID)	Edgardo P. Cruz	Nov. 7, 2013	5	5	100	1 year
Member (ID)	Minita V. Chico-Nazario	May 8, 2015				
Member (Non-Director)	Ferdinand K. Constantino	July 21, 2009	5	5	100	6 years

<sup>86</sup> With updates highlighted for the year ended December 31, 2014.

<sup>87</sup> With updates highlighted in accordance with SEC Form 17-C filed with the SEC on May 11, 2015.

<sup>88</sup> With updates highlighted for the year ended December 31, 2014.

<sup>89</sup> With updates highlighted in accordance with SEC Form 17-C filed with the SEC on May 11, 2015.

Disclose the profile or qualifications of the Audit Committee members.<sup>90 91</sup>

Mr. Menardo R. Jimenez, Filipino, **82**, 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 Management *Honoris Causa* by University of Pangasinan and Pamantasan Ng Lungsod ng Maynila.

Mr. Carmelo L. Santiago, Filipino, **72**, 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, **75**, 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.

**Minita V. Chico-Nazario, Filipino, 75, 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 PNOG 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.**

Mr. Ferdinand K. Constantino, Filipino, **63**, 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 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

<sup>90</sup> With updates highlighted for the year ended December 31, 2014.

<sup>91</sup> With updates highlighted in accordance with SEC Form 17-C filed with the SEC on May 11, 2015.

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>92</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	1	0	0	3 years
Member (ED)	Francisco S. Alejo III	May 20, 2005	1	1	100	9 years
Member (NED)	Menardo R. Jimenez	Nov. 7, 2013	1	1	100	1 year
Member (Non-Director)	Ma. Cristina M. Menorca	May 11, 2012	1	0	N/A	2 years

(d) Executive Compensation Committee<sup>93</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	3	3	100	8 years
Member (ID)	Carmelo L. Santiago	June 27, 2008	3	2	67	4 years
Member (NED)	Ramon S. Ang	Nov. 7, 2013	3	3	100	1 year
Member (Non-Director)	Ferdinand K. Constantino	June 27, 2008	3	3	100	5 years

(e) Others (Specify)

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

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						

<sup>92</sup> With updates highlighted for the year ended December 31, 2014.

<sup>93</sup> With updates highlighted for the year ended December 31, 2014.

### 3) Changes in Committee Members<sup>94</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 Angelina S. Gutierrez vice Cancio C. Garcia	Demise of Mr. Garcia on October 15, 2013
Audit	Appointment of Edgardo P. Cruz vice Cancio C. Garcia	Demise of Mr. Garcia on October 15, 2013
Nomination	Appointment of Menardo R. Jimenez vice Cancio C. Garcia	Demise of Mr. Garcia on October 15, 2013
Remuneration	Appointment of Ramon S. Ang vice Cancio C. Garcia	Demise of Mr. Garcia on October 15, 2013
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>95</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 Statements <b>for the previous year</b> and unaudited quarterly financial statements; Reviewed and approved the audit plans of the external and internal auditors; <b>Endorsed to the Board the amendments to the Manual on Corporate Governance;</b> Recommended the appointment of the external auditors of the Company for <b>the succeeding year;</b> Monitored, reviewed and confirmed the sufficiency and effectiveness of the Company's internal control systems; Adopted Audit Committee Charter.	No major issues were required to be addressed by the Committee.
Nomination and Hearing	Discussed and recommended nominees for election to the Board; Adopted Nomination and Hearing Committee Charter.	No major issues were required to be addressed by the Committee.
Executive Compensation	Discussed and recommended approval of appointments and promotions of employees to officers of the Food Group; Adopted Executive Compensation Committee Charter.	No major issues were required to be addressed by the Committee.

<sup>94</sup> With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

<sup>95</sup> With updates highlighted for the year ended December 31, 2014.

Others (specify)	N/A	
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## 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>96</sup>	Considering that there were no major issues brought forth to be resolved by the Audit Committee, 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.	No major issues to be addressed at the moment.
Nomination and Hearing <sup>97</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>98</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	

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

<sup>97</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>98</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

## 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 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, 2014**.<sup>99</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.

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<sup>99</sup> Update for the year ended December 31, 2014.



(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, 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	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.	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.  The Company's exposure to

	<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 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.</p>	<p>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 or another financial asset.</p> <p>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.</p>
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(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.
Catastrophe/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	<p>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 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</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 Group aims to reduce the impact 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</p>

	credit and management of credit exposures.	securities.
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(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 (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (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 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.	Foreign currency hedges are entered 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:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Competitor/Market Risks, Catastrophe/Environmental Risks, Social and Cultural Risks, Sourcing and Price Risks	<p>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.</p>	<p>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.</p>
Interest Rate Risk	<p>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.</p>	<p>Interest cost is managed by using an optimal combination of fixed and variable rate debt instruments.</p>
Foreign Currency Risk	<p>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</p>	<p>The Food Group enters into foreign currency hedges using non-derivative instruments to manage its foreign currency risk exposure.</p>

	rate scenarios.	
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>100</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>101</sup>

Pursuant to the internal control responsibilities of the Board as provided in SMPFC's Manual, the Board has exercised during the **previous year** 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;
- 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 **2014** 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;

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<sup>100</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>101</sup> With updates highlighted for the year ended December 31, 2014.

- 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 **2014**.

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 **2014**. 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, 2014**.<sup>102</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 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>103</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	The scope of work of the Internal Audit Group is to assist	The Internal Audit Group of the Company is a staff	Ms. Ophelia L. Fernandez is the head of the Internal	The personnel of the Internal Audit Group

<sup>102</sup> Update for the year ended December 31, 2014.

<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.

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 effectiveness of risk management, control, and governance processes.	<p>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:</p> <ul style="list-style-type: none"> <li>• Significant exposures to risks are appropriately identified and adequately managed.</li> <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</li> </ul>	organization within the Company. It also enters into outsourcing arrangements with independent third party auditors from time to time.	Audit Group of the Company, <sup>104</sup> replacing Ms. Mildred V. Ramirez who resigned effective September 15, 2015. <sup>105</sup>	report to the head of the Internal Audit Group, who reports functionally to the Audit Committee and administratively to the President.
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<sup>104</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>105</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.

	operating systems and processes.			
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 **2014**<sup>106</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,

<sup>106</sup> Update for the year ended December 31, 2014.

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.

(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 Manager of the Company's Feeds Business under San Miguel Foods, Inc., effective February 1, 2012.

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

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

<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>107</sup></b>	No significant issues were noted.
<b>Findings<sup>108</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.]

<sup>107</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>108</sup> "Findings" are those with concrete basis under the company's policies and rules.

(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.”

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
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	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.	

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

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>109</sup> <sup>110</sup> <sup>111</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><b>SMPFC's various plants and facilities</b></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><b>- 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</b></p>

<sup>109</sup> With updates highlighted for the year ended December 31, 2013.

<sup>110</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>111</sup> Additional updates highlighted for the year ended December 31, 2014.

	<p>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 which it operates.</p>	<p>systems</p> <ul style="list-style-type: none"> <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 National Standards for Drinking Water, and the Consumer Act of the Philippines, all geared to protect the supply of food and its consumers</li> <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),</li> </ul>
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		<p>with the aim to provide guidance for food practitioners on product notification requirements to acquire marketing authorization</p> <ul style="list-style-type: none"> <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 "Alagang Magnolia" campaign</li> <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> </ul> <p>Further, the Company has established a dedicated customer 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</p>
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		<p>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>
Supplier/contractor selection practice	<p>SMPFC has a Business Procurement Group that screens, accredits and 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>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>- <b>Plants and facilities of suppliers and contractors need to submit documentation to establish compliance to GMP and HACCP system requirements</b></li> <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> <p><b>The Board approved amendments to the Manual in order to emphasize:</b></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</p>

		<b>Company to its stockholders and such other stakeholders.</b>
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 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>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>- <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> </ul>

		<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>- 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> <li>- Employee participation in tree planting activities</li> </ul> <p>The Board approved amendments to the Manual in order to emphasize:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.</li> </ul>
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</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>- 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</li> </ul>

	<p>which it operates.</p> <ul style="list-style-type: none"> <li>- Participation in franchise expositions featuring available business opportunities in the food category</li> <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>- 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</li> </ul>
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		<p>building, school refurbishing, tree planting, feeding program and farm building 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>
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'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</li> </ul>

		<p><b>acceptable behavior and performance of employees and business partners of the Food Group, including their directors.</b></p> <p>The Food Group also conducts periodic monitoring of compliance with the Company's Policy on Solicitation and Acceptance of Gifts.</p> <p><b>The Board approved amendments to the Manual in order to emphasize:</b></p> <p><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></p> <p><b>(ii) The material information disclosure obligation of the Company to its stockholders and such other stakeholders.</b></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><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>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>
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- 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>112</sup> <sup>113</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>112</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>113</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>114</sup>

On health:

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<sup>114</sup> With updates highlighted for the year ended December 31, 2014.

- (i) All of the Food Group's installations have clinics 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**;
- (iv) Well-being activities and other seminars on health awareness;
- (v) Sports **and aerobics**.

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, battle of the bands, singing competitions, photo contests, etc.**

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 P185.64 million, P192.4 million and P159.8 million in 2014, 2013 and 2012.**<sup>115</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>116</sup>

Career advancement and improvement is offered by the Company through a wide range of training programs and seminars. In 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 further needs of its businesses. With the help of internal experts, external consultants and training providers, SMPFU continues to conceptualize, develop and implement purposive learning programs**, including but not limited to its Management Development Program (MDP), and provide employees a formal training ground specific to their functions and in support of their professional growth.

**Subsequent to the launch of SMPFU, the following new schools were created, with each school**

<sup>115</sup> As updated for the year ended December 31, 2014, per SEC Form 17-A filed with the SEC on April 15, 2015.

<sup>116</sup> With updates highlighted for the year ended December 31, 2014.

focusing on developing the technical skills of the Company's human resources and supplanting them with training that will enable them to not only perform well, but excel and exceed expectations:

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

SMPFU was built a home, with six training rooms that can accommodate a maximum of 25 participants per room. 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.

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.

The 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.

As of December 31, 2014, 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.

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures<sup>117</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.

<sup>117</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

(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.

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>118</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

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<sup>118</sup> Update to expound on response, per advisement letter filed with the SEC on January 30, 2014.

(a) Holding 5% shareholding or more <sup>119</sup> <sup>120</sup> <sup>121</sup>

Shareholder	Number of Shares	Percent	Beneficial Owner
SMC	142,279,267 common shares	78.32%	SMC
PCD Nominee Corporation (Filipino)	14,213,001 common shares; 14,470,549 preferred shares	15.79%	Various (none of the beneficial owners hold 5% or more of SMPFC)
PCD Nominee Corporation (Non-Filipino)	10,074,229 common shares; 38,040 preferred shares	5.57%	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	10,000 preferred shares; 1 common share	None. 10,000 Series 2 preferred shares; 43,000 common shares	0%
Zenaida M. Postrado	None	7,000 preferred shares; 10,000 Series 2 preferred shares	0%
Florentino C. Policarpio	None	5,000 preferred shares; None.	0%
Rita Imelda B. Palabyab	1,000 preferred shares; None	None. 2,000 Series 2 preferred shares	0%
Ma. Soledad E. Olives	None	3,400 preferred shares; 10,000 Series 2 preferred shares	0%
Raul B. Nazareno	1,000 preferred shares; None	None.	0%
Eliezer O. Capacio <sup>122</sup>	5,050 preferred shares	None.	0%
Oscar R. Sañez	None	4,000 Series 2 preferred shares	0%
Jennifer T. Tan	None	1,500 Series 2 preferred shares	0%
<b>TOTAL</b>			<b>0%</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

<sup>119</sup> As updated for the year ended December 31, 2014, per SEC Form 17-A filed with the SEC on April 15, 2015.

<sup>120</sup> With updates highlighted per advisement letter filed with the SEC on March 17, 2015.

<sup>121</sup> As updated to adjust response, per advisement letter filed with the SEC on January 30, 2014.

<sup>122</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.

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>123</sup>

Name of auditor	Audit Fee	Non-audit Fee
R.G. Manabat & Co.	P1,500,000.00	P1,800,000.00

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 **and other stakeholders** <sup>124</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>125</sup>

The Audited Consolidated Financial Statements of the Company for the year ended **December 31, 2014** was released **as early as April 10, 2015 upon filing with the SEC of the Definitive Information Statement with such financial statements attached thereto (SEC Form 20-IS), for the 2015 Annual Stockholders' Meeting of the Company. The Definitive Information Statement was then disclosed to the public on April 14, 2015.**

<sup>123</sup> As updated for the year ended December 31, 2014, per SEC Form 17-A filed with the SEC on April 15, 2015.

<sup>124</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>125</sup> With updates highlighted per SEC Form 20-IS filed with the SEC on April 10, 2015 and disclosed to the public via the PSE Edge disclosure system on April 14, 2015.

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.

7) Disclosure of RPT <sup>126</sup>

Related Party	Relationship	Nature	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Top Frontier Investment Holdings Inc.	Ultimate parent company	Amounts owed by related parties consist mainly of trade and non-trade receivables	P 117,000	None
San Miguel Corporation	Parent company	Amounts owed by related parties consist mainly of trade and non-trade receivables. Amounts owed to related parties consist mainly of trade and non-trade payables, and management fees.	P 18,162,000	P313,408,000
Various affiliated companies	Entities under common control	Amounts owed by related parties consist mainly of trade and non-trade receivables. Amounts owed to related parties consist mainly of trade and non-trade payables, and management fees.	P116,118,000	P710,989,000
Hormel Netherlands	Shareholder in	Amounts owed by	P 14,886,000	P159,808,000

<sup>126</sup> As updated for the year ended December 31, 2014, per SEC Form 17-A filed with the SEC on April 15, 2015.

B.V. and Super Coffee Corporation Pte. Ltd.	subsidiaries	related parties consist mainly of trade and non-trade receivables. Amounts owed to related parties consist mainly of trade and non-trade payables, and management fees.		
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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>127</sup>
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#### (b) System Used to Approve Corporate Acts

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>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.<sup>128</sup></p>
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<sup>127</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.

<sup>128</sup> With updates highlighted per SEC Form 20-IS (Definitive Information Statement) filed with the SEC on April 10, 2015



<b>Description</b>	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.

(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.
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	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

declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, subject to certain exceptions.	<p>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>129</sup>

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

Declaration Date	Record Date	Payment Date
February 6, 2013	February 20, 2013	March 3, 2013
May 7, 2013	May 23, 2013	June 3, 2013
August 8, 2013	August 27, 2013	September 3, 2013
November 7, 2013	November 21, 2013	December 3, 2013 <sup>130</sup>
February 4, 2014	February 19, 2014	March 3, 2014 <sup>131</sup>
August 8, 2014	August 26, 2014	September 3, 2014 <sup>132</sup>
November 5, 2014	November 19, 2014	December 3, 2014 <sup>133</sup>
February 3, 2015	February 17, 2015	March 3, 2015 <sup>134</sup>

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

<sup>129</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

<sup>130</sup> With updates highlighted per advisement letter filed with the SEC on January 30, 2014.

<sup>131</sup> Update per SEC Form 17-C filed with the SEC on February 5, 2014.

<sup>132</sup> Update per SEC Form 17-C filed with the SEC on August 11, 2014.

<sup>133</sup> Update per SEC Form 17-C filed with the SEC on November 5, 2014.

<sup>134</sup> Update per SEC Form 17-C filed with the SEC on February 4, 2015.

Declaration Date	Record Date	Payment Date
<b>March 26, 2014</b>	<b>April 11, 2014</b>	<b>May 12, 2014</b> <sup>135</sup>

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

Declaration Date	Record Date	Payment Date
<b>May 7, 2014</b>	<b>May 22, 2014</b>	<b>June 3, 2014</b> <sup>136</sup>
<b>May 7, 2015</b>	<b>May 22, 2015</b>	<b>June 12, 2015</b> <sup>137</sup>
<b>August 6, 2015</b>	<b>August 24, 2015</b>	<b>September 12, 2015</b> <sup>138</sup>
<b>November 6, 2015</b>	<b>November 24, 2015</b>	<b>December 12, 2015</b> <sup>139</sup>

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

Declaration Date	Record Date	Payment Date
<b>May 7, 2015</b>	<b>May 22, 2015</b>	<b>June 5, 2015</b> <sup>140</sup>
<b>August 6, 2015</b>	<b>August 24, 2015</b>	<b>September 4, 2015</b> <sup>141</sup>
<b>November 6, 2015</b>	<b>November 24, 2015</b>	<b>December 4, 2015</b> <sup>142</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>143 144</sup>	Communication Procedure
On <b>March 20, 2015</b> , more than <b>30 days</b> before the date of the ASM <b>on May 8, 2015</b> , the Company disclosed the <b>Notice of the ASM, with the date, time and place, as well as Agenda of the meeting</b> , the record date for stockholders entitled to vote at said meeting, the period when the stock transfer books of the Company will be	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

<sup>135</sup> Update per SEC Form 17-C filed with the SEC on March 27, 2014.

<sup>136</sup> Update per SEC Form 17-C filed with the SEC on May 8, 2014.

<sup>137</sup> Update per SEC Form 17-C filed with the SEC on May 8, 2015.

<sup>138</sup> Update per SEC Form 17-C filed with the SEC on August 7, 2015.

<sup>139</sup> Update per SEC Form 17-C filed with the SEC on November 9, 2015.

<sup>140</sup> Update per SEC Form 17-C filed with the SEC on May 8, 2015.

<sup>141</sup> Update per SEC Form 17-C filed with the SEC on August 7, 2015.

<sup>142</sup> Update per SEC Form 17-C filed with the SEC on November 9, 2015.

<sup>143</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on March 20, 2015, and thereafter, SEC Form 17-C filed with the SEC on March 23, 2015 and SEC Form 20-IS (Preliminary Information Statement) filed with the SEC and uploaded to the PSE on March 27, 2015.

<sup>144</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.

<p>closed, the deadline for submission of proxies and date of validation of proxies. <b>On March 27, 2015, the Company filed with the SEC and disclosed to the public via the PSE, the Preliminary Information Statement for the ASM, including the rationale and explanation for the relevant Agenda items requiring stockholder approval.</b> On the other hand, <b>the Company started distributing to the stockholders</b> the Notice and Definitive Information Statement to the <b>2015</b> ASM, including the date, time and place for the validation of proxies, <b>on April 14, 2015.</b></p>	<p>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>A sample proxy was likewise provided together with the Definitive Information Statement <b>and may be downloaded from the Company's website</b>, 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?

- a. Date of sending out notices:<sup>145</sup>

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 20, 2015**, which notice includes the date of the **2015** ASM to be held on **May 8, 2015**, 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.

- b. Date of the Annual/Special Stockholders' Meeting:<sup>146</sup>

**May 8, 2015**

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.<sup>147</sup>

The following questions were asked and answered during the ASM on **May 8, 2015**:

**(i) What are your plans for La Pacita?**

**Mr. Alejo, President, replied that the Company plans to grow the business and transform La Pacita to become one of the top biscuits in the country. The first step is to improve distribution of the products to bring La Pacita closer to consumers. The Company will study the biscuits category some more. There are also plans to invigorate the brand and introduce new products.**

**(ii) Further to the successful listing of the Company's series 2 preferred shares, does the Company have plans of raising funds again in the near future?**

**Chairman Eduardo Cojuangco, Jr. responded in the affirmative, especially in support of the Food Group's expansion and acquisition plans.**

<sup>145</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on March 20, 2015, and thereafter, SEC Form 17-C filed with the SEC on March 23, 2015 and SEC Form 20-IS (Preliminary Information Statement) filed with the SEC and uploaded to the PSE on March 27, 2015.

<sup>146</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on March 20, 2015, and thereafter, SEC Form 17-C filed with the SEC on March 23, 2015 and SEC Form 20-IS (Preliminary Information Statement) filed with the SEC and uploaded to the PSE on March 27, 2015.

<sup>147</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.

**(iii) Are there plans to increase the public float from the current 15%?**

In response, Chairman Cojuangco said yes, there are plans to increase the public float of the Company. The increase is just a matter of timing depending on market conditions.

**(iv)** A stockholder, who mentioned that he was also a consumer of Purefoods products, commented on the difference in taste of Purefoods Vienna Sausage. He was of the impression that the joint venture between Purefoods and Hormel was put to an end and this may have caused the change. He said that the product used to taste better, and asked if there are plans for the product to have the same taste as before.

Chairman Cojuangco first corrected the understanding of the stockholder on the joint venture of the Company with Hormel Foods of the U.S. He explained that the joint venture is still effective in the Philippines and thus Hormel Foods remains to be a partner of SMPFC. It is in the Vietnam business of the Company where Hormel exited from.

Mr. Alejo then thanked the stockholder for his feedback on Purefoods Vienna Sausage. He said that the Company will test the product again and study how it can further improve the formulation of the product to address his concern.

5. Result of Annual/Special Stockholders' Meeting's Resolutions<sup>148</sup>

Resolution	Approving	Dissenting	Abstaining
Approval of minutes of the Annual Stockholders' Meeting held on <b>May 9, 2014</b>	<b>147,705,318</b>	None.	<b>10</b>
Approval of annual report for period ending <b>Dec. 31, 2014</b>	<b>147,620,708</b>	None.	<b>84,610</b>
Ratification of acts and proceedings of Board of Directors and Corporate Officers	<b>147,620,708</b>	None.	<b>84,610</b>
<b>Approval of Amendment to By-laws, particularly Article II on the number of independent directors of the Company</b>	<b>147,826,818</b>	<b>None.</b>	<b>None.</b>
Appointment of <b>Reyes Tacandong &amp; Co.</b> as external auditors for <b>2015</b>	<b>147,645,918</b>	<b>59,400</b>	<b>0</b>
Election of Board of Directors as follows:  Eduardo M. Cojuangco, Jr. Ramon S. Ang Francisco S. Alejo III Menardo R. Jimenez Mario C. Garcia Carmelo L. Santiago Silvestre H. Bello III Edgardo P. Cruz Minita V. Chico-Nazario	<b>147,651,018</b> <b>147,423,068</b> <b>147,705,318</b> <b>147,423,068</b> <b>147,705,318</b> <b>147,427,578</b> <b>147,705,318</b> <b>147,651,018</b> <b>147,705,318</b>	None.	None.

<sup>148</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.

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:<sup>149</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 8, 2014**. **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>150</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> Eduardo M. Cojuangco, Jr. (Chairman) Ramon S. Ang (Vice Chairman) Francisco S. Alejo III (President) Menardo R. Jimenez Mario C. Garcia Carmelo L. Santiago Silvestre H. Bello III Edgardo P. Cruz  <b>Officers:</b> Alexandra B. Trillana (Corporate Secretary) Zenaída M. Postrado (Treasurer and	May 8, 2015	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.	0.000009%	81.37%	81.37%

<sup>149</sup> With updates highlighted per disclosure to the public via the PSE Edge disclosure system on May 8, 2015, and thereafter, SEC Form 17-C and advisement letter filed with the SEC on May 11, 2015, and Stockholders' Meeting Vote Canvassing Results posted in the Company's website on May 11, 2015.

<sup>150</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.

	Chief Finance Officer) Ma. Soledad E. Olives (Compliance Officer) Ma. Celeste L. Ramos (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>151</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 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

<sup>151</sup> As updated to expound on response, per advisement letter filed with the SEC on January 30, 2014.



	all his/her/its proxies.
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	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
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	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.
Violation of Proxy	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.

(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	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

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>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>
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(i) Definitive Information Statements and Management Report<sup>152</sup>

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	There were <b>178</b> common and preferred shareholders as of the record date of <b>April 7, 2015</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 14, 2015 (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 14, 2015 (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>
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.

<sup>152</sup> With updates highlighted per advisement letter filed with the SEC on April 20, 2015.

## 2) Treatment of Minority Stockholders

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

Policies	Implementation
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>153</sup>
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(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>154</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 2014 to date, the following were the analyst and media briefings conducted:**<sup>155</sup>

DATE	AGENDA
March 27, 2014	2013 Full Year Results
May 12, 2014	2014 First Quarter Results
August 11, 2014	2014 First Semester Results
November 10, 2014	2014 Third Quarter Results
March 26, 2015	2014 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.

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.

<sup>153</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>154</sup> With updates highlighted for the year ended December 31, 2014.

<sup>155</sup> Update to expound on response, per advisement letter filed with the SEC on May 8, 2015.

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>Ms. Ma. Soledad E. Olives, SMPFC Investor Relations, 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:msolives@smg.sanmiguel.com.ph">msolives@smg.sanmiguel.com.ph</a></p>

- 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>156</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. The children's progress is monitored monthly in terms of weight improvement, social and academic development. The initiative also aims to educate their parents on proper nutrition and possible income augmentation activities to sustain the benefits of the program. <b>In 2014, 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.</b></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>SMPFC also hosts various socially relevant activities such as scholarship and housing programs, medical missions, the Sumilao Clinic, and the Sumilao Community Store. <b>In 2014, the Company provided purposive educational opportunities to several scholars in partnership with universities and technical schools.</b></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. <b>In 2014, giving more focus on the welfare of children in local communities, and further strengthening their learning environment, the Company, along with the</b></p>

<sup>156</sup> With updates highlighted for the year ended December 31, 2014.

	<p><b>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.</b></p>
<p>As natural disasters hit the country, SMPFC provides assistance to victims in highly affected areas nationwide. 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>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. <b>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.</b></p>
<p>Moreover, the Food Group actively contributes to the San Miguel Foundation, which is tasked to handle the 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>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. 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>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>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. <b>To date, there have been more than 200 employee volunteers that have taken part in the Company’s flagship CSR feeding program, Handog Lusog: Nutrisyon Para Sa Nasyon, 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>

## 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.

	Process	Criteria
<b>Board of Directors</b>	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.	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.
<b>Board Committees</b>	Each Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice.	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 this Charter for approval by the Board.
<b>Individual Directors</b>	Same process as that for the Board of Directors above.	Same criteria as that for the Board of Directors above.
<b>CEO/President</b>	The performance of the President is assessed on an annual basis.	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.

## 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.
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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

Doc No. 525  
Page No. 106  
Book No. II  
Series of 2013

**San Miguel Pure Foods Company Inc.**  
**Reported SEC Form 17-C for 2015**

Date Reported	Subject								
January 9, 2015	<p><u>Item 9. Other Events</u></p> <p>Please see attached clarification on the news article entitled “<b>P10-B capex</b>” published in the BusinessWorld (Internet Edition) on January 9, 2015, which the Company disclosed to the Philippine Stock Exchange on the same day.</p>								
January 27, 2015	<p><u>Item 9. Other Events</u></p> <p>On January 26, 2015, San Miguel Pure Foods International, Limited (“SMPFIL”), a 100% owned subsidiary of San Miguel Pure Foods Company Inc. incorporated in the British Virgin Islands, signed an Agreement for the purchase from Hormel Netherlands B.V., of the latter’s 49% of the issued share capital of San Miguel Pure Foods Investment (BVI) Ltd. (“SMPFIB”). SMPFIL already owns the remaining 51% of SMPFIB. SMPFIB is the sole investor in San Miguel Hormel (Vn) Co., Ltd., a company incorporated in Vietnam that engages in live hog farming and the production of feeds and fresh and processed meats. Following completion of the transaction, SMPFIB will be a wholly-owned subsidiary of SMPFIL.</p>								
February 4, 2015	<p>At the meeting of the Board of Directors of San Miguel Pure Foods Company Inc. (respectively, the “Board” and the “Company”) held on February 3, 2015:</p> <p><u>Item 9. Other Events</u></p> <p style="padding-left: 40px;">The Board approved --</p> <p style="padding-left: 20px;">(i) The declaration of cash dividends to shareholders of the Company as follows:</p> <p style="padding-left: 40px;"><u>Preferred Shares</u></p> <table style="margin-left: 80px; border: none;"> <tr> <td style="padding-right: 20px;">Amount:</td> <td>P20.00 per share</td> </tr> <tr> <td>Record Date:</td> <td>February 17, 2015</td> </tr> <tr> <td>Closing of Books:</td> <td>February 18 to 24, 2015</td> </tr> <tr> <td>Payment Date:</td> <td>March 3, 2015</td> </tr> </table>	Amount:	P20.00 per share	Record Date:	February 17, 2015	Closing of Books:	February 18 to 24, 2015	Payment Date:	March 3, 2015
Amount:	P20.00 per share								
Record Date:	February 17, 2015								
Closing of Books:	February 18 to 24, 2015								
Payment Date:	March 3, 2015								

Common Shares

Amount: P1.20 per share  
 Record Date: February 17, 2015  
 Closing of Books: February 18 to 24, 2015  
 Payment Date: March 3, 2015

- (ii) The redemption of the preferred shares issued by the Company on March 3, 2011 (the “PFP Shares”), as follows.

The redemption price of the PFP Shares at the amount of P1,000.00 per share and all accumulated unpaid cash dividends, if any (the “Redemption Proceeds”), shall be paid on March 3, 2015 to the relevant stockholders of record as of February 17, 2015, in accordance with the Notice of Redemption, including guidelines for the payment of the Redemption Proceeds, attached hereto as Annex “A”.

For PFP Shares that are held in stockbroker or custodian bank accounts with the Philippine Depository and Trust Corporation (PDTC) (the “Scripless Shares”), the Redemption Proceeds shall be remitted to the PDTC through Real Time Gross Settlement on March 3, 2015, enabling the PDTC to credit the stockbrokers and custodian banks' settlement bank accounts on the same date. Shareholders holding Scripless Shares are advised to coordinate with their stockbrokers and custodian banks with respect to the release of their Redemption Proceeds.

- (iii) The public offer of up to 15 million Series “2” preferred shares of the Company under the following terms:

Offer Size	₱10 billion base offer size, with an oversubscription option of up to ₱5 billion.
Instrument	Cumulative, non-voting, non-participating, non-convertible Peso-denominated perpetual Series “2” preferred shares. The preferred shares will be issued in one or more subseries: Subseries 2A Preferred Shares (PFP2A) and Subseries 2B Preferred Shares (PFP2B).
Oversubscription Option	In the event of an oversubscription, the joint issue managers, in consultation with the issuer, reserve the right to increase the Offer Size by up to ₱5 billion, subject to the registration requirements of the SEC.
Registration and	To be registered with the SEC and listed on the

		Listing	PSE, subject to compliance with SEC regulations and PSE listing rules.
		Use of Proceeds	To refinance the issuer’s ₱15 billion outstanding preferred shares which are callable on March 3, 2014 or on any dividend payment date thereafter.
		Par Value	The Series “2” preferred shares shall have a par value of ₱10.00 per share.
		Offer Price	The Series “2” preferred shares shall be offered at a price of ₱1,000.00 per share.
		The foregoing is further to the approval of the Board on November 5, 2014 on the proposed public offer and issuance of up to 25 million preferred shares from the unissued capital stock of the Company. Moreover, the Board continued to authorized Management to finally determine the dividend rates of the Subseries 2A and Subseries 2B preferred shares and make other changes to the terms of the offer as Management may deem necessary or desirable for the successful marketing and distribution of the Series “2” preferred shares.	
February 4, 2015	<u>Item 9. Other Events</u>  Further to the disclosure of San Miguel Pure Foods Company Inc. (the “Company”) on November 20, 2014, the Company wishes to advise that its acquisition of the trademarks, formulations, recipes and other intangible properties relating to the La Pacita biscuit and flour-based snack business of Felicisimo Martinez & Co. Inc., was completed on February 1, 2015 upon the substantial fulfillment of the closing conditions of the transaction.		
March 12, 2015	<u>Item 9. Other Events</u>  Please see attached press release, entitled: <b>“SMPFC raises P15 billion from Series 2 Preferred Shares offer”</b>		
March 13, 2015	<u>Item 9. Other Events</u>  Please see attached letter to the Philippine Stock Exchange uploaded via the PSE EDGE on March 13, 2015. [On the use of proceeds of the Company’s perpetual series 2 preferred shares offer.]		
March 23, 2015	<u>Item 9. Other Events</u>		

	<p>At the meeting of the Board of Directors of San Miguel Pure Foods Company Inc. (respectively, the “Board” and the “Company”) held on March 20, 2015:</p> <p>A. The Board approved the amendment to Article II, Section 1-A of the By-laws of the Company, to provide that the corporation shall have at least two independent directors or such number as may be required by applicable laws and regulations. The amendment, subject to further stockholder approval, is in compliance with the undertaking of the Company to the Markets and Securities Regulation Department of the Commission on October 1, 2014.</p> <p>B. The Board declared that the Annual Stockholders’ Meeting of the Company will be held on May 8, 2015, Friday, 2:00 p.m., at the Executive Dining Room, 2<sup>nd</sup> Floor, San Miguel Corporation Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila.</p> <p>In this connection:</p> <p>(i) The record date for the stockholders entitled to vote at the said meeting is April 7, 2015;</p> <p>(ii) The stock transfer books will be closed from April 8 to 15, 2015;</p> <p>(iii) The deadline for submission of proxies is on April 23, 2015; and</p> <p>(iv) The validation of proxies will be on April 30, 2015.</p> <p>C. The Agenda of the Annual Stockholders’ Meeting shall be as follows:</p> <ol style="list-style-type: none"> <li>1. Certification of Notice and Quorum</li> <li>2. Approval of the Minutes of the Annual Stockholders’ Meeting held on May 9, 2014</li> <li>3. Presentation of the Annual Report</li> <li>4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers</li> <li>5. Approval of Amendment to the By-laws, particularly Article II on the number of independent directors of the Company</li> <li>6. Appointment of External Auditors</li> <li>7. Election of the Board of Directors</li> <li>8. Other Matters</li> <li>9. Adjournment</li> </ol>
March 23, 2015	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release, entitled: <b>“San Miguel Pure Foods Posts P103 Billion in Revenues for 2014”</b></p>

April 20, 2015	<p><u>Item 9. Other Events</u></p> <p>Please see attached Quarterly Progress Report on the Application of Proceeds of Perpetual Series 2 Preferred Shares Offer for the Quarter Ended March 31, 2015.</p>																
May 8, 2015	<p><u>Item 9. Other Events</u></p> <p>At the meeting of the Board of Directors of San Miguel Pure Foods Company Inc. (respectively, the “Board” and the “Company”) held on May 7, 2015:</p> <p>The Board declared cash dividends to shareholders of the Company, as follows:</p> <p style="text-align: center;"><u>Preferred Shares (PFP2)</u></p> <table> <tr> <td>Amount:</td><td>P14.14225 per share</td></tr> <tr> <td>Record Date:</td><td>May 22, 2015</td></tr> <tr> <td>Closing of Books:</td><td>May 23 to 29, 2015</td></tr> <tr> <td>Payment Date:</td><td>June 12, 2015</td></tr> </table> <p style="text-align: center;"><u>Common Shares</u></p> <table> <tr> <td>Amount:</td><td>P1.20 per share</td></tr> <tr> <td>Record Date:</td><td>May 22, 2015</td></tr> <tr> <td>Closing of Books:</td><td>May 23 to 29, 2015</td></tr> <tr> <td>Payment Date:</td><td>June 5, 2015</td></tr> </table>	Amount:	P14.14225 per share	Record Date:	May 22, 2015	Closing of Books:	May 23 to 29, 2015	Payment Date:	June 12, 2015	Amount:	P1.20 per share	Record Date:	May 22, 2015	Closing of Books:	May 23 to 29, 2015	Payment Date:	June 5, 2015
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Closing of Books:	May 23 to 29, 2015																
Payment Date:	June 5, 2015																
May 8, 2015	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release entitled: <b>“San Miguel Pure Foods Company Inc. Posts 10% Operating Profit Growth in Q1”</b></p>																
May 11, 2015	<p><u>Item 9. Other Events</u></p> <p>Please be informed that at the Annual Meeting of Shareholders (the “ASM”) and Organizational Meeting of the Board of Directors (the “Board”) of San Miguel Pure Foods Company Inc. (the “Corporation”) both held on May 8, 2015:</p> <p>1. The following directors were duly elected at the ASM, with the respective number of shares held by each in the Corporation:</p>																

Name of Owner	Title of Class	Amount and Nature of Ownership	Total No. of Shares
Eduardo M. Cojuangco, Jr.	Common	1 (Direct)	1
Ramon S. Ang	Common	1 (Direct)	1
Francisco S. Alejo III	Common	1 (Direct) 43,000 (Beneficial)	53,001
	Preferred	10,000 (Beneficial)	
Menardo R. Jimenez	Common	1 (Direct)	1
Mario C. Garcia	Common	1 (Direct)	1
Carmelo L. Santiago (Independent)	Common	1 (Direct)	1
Silvestre H. Bello III (Independent)	Common	1 (Direct)	1
Edgardo P. Cruz (Independent)	Common	1 (Direct)	1
Minita V. Chico - Nazario (Independent)	Common	1 (Direct)	1

2. The stockholders approved the proposed amendment to Article II, Section 1-A of the By-Laws of San Miguel Pure Foods Company Inc. to state that the Corporation shall have at least two independent directors or such number as may be required by applicable laws and regulations.

3. The following key officers were duly elected at the Organizational Meeting of the Board:

Eduardo M. Cojuangco, Jr.	-	Chairman
Ramon S. Ang	-	Vice Chairman
Francisco S. Alejo III	-	President
Zenaida M. Postrado	-	Treasurer and Chief Finance Officer
Ma. Soledad E. Olives	-	Compliance Officer
Alexandra B. Trillana	-	Corporate Secretary
Ma. Celeste L. Ramos	-	Assistant Corporate Secretary

Of such officers, the shareholdings of Messrs. Cojuangco, Ang and Alejo in the Corporation are mentioned above. The shareholdings of the other named officers are as below provided:



Name of Owner	Title of Class	Amount and Nature of Ownership	Total No. of Shares
Zenaida M. Postrado	Preferred	10,000 (Beneficial)	10,000
Ma. Soledad E. Olives	Preferred	10,000 (Beneficial)	10,000
Alexandra B. Trillana	Preferred	1,000 (Beneficial)	1,000
Ma. Celeste L. Ramos	Preferred	300 (Beneficial)	300

In the same meeting, the following were elected to the Board Committees of the Corporation:

**Executive Committee**

Eduardo M. Cojuangco, Jr. - Chairman  
Ramon S. Ang  
Francisco S. Alejo III  
Minita V. Chico - Nazario

**Audit Committee**

Carmelo L. Santiago - Chairman  
Menardo R. Jimenez  
Edgardo P. Cruz  
Minita V. Chico – Nazario  
Ferdinand K. Constantino - Non Director Member

**Executive Compensation**

Menardo R. Jimenez - Chairman  
Carmelo L. Santiago  
Ramon S. Ang  
Ferdinand K. Constantino - Non Director Member

**Nomination and Hearing Committee**

Carmelo L. Santiago - Chairman  
Francisco S. Alejo III  
Menardo R. Jimenez

	Casiano B. Cabalan - Ex Officio Member
June 10, 2015	<p><u>Item 9. Other Events</u></p> <p>Please see attached clarification on the news article entitled <b>“Pure Foods earmarks P32B for expansion”</b> published in the June 10, 2015 issue of The Philippine Star, which the Company disclosed to the Philippine Stock Exchange on the same day.</p>
June 18, 2015	<p><u>Item 9. Other Events</u></p> <p>Further to the SEC Form 17-C dated October 1, 2014 submitted by the Company, wherein the Company undertook to amend its By-laws to remove any doubt that it complies with applicable law and regulations insofar as the election of the required number of independent directors is concerned, we advise that the Commission approved the amendment to the Company’s By-laws, particularly on the number of its independent directors, by virtue of the Certificate of Filing of Amended By-laws issued on June 15, 2015. The Company received a copy of the said Certificate on June 18, 2015.</p>
August 7, 2015	<p><u>Item 9. Other Events</u></p> <p>At the meeting of the Board of Directors of San Miguel Pure Foods Company Inc. (respectively, the “Board” and the “Company”) held on August 6, 2015:</p> <p>1. The Board declared cash dividends to shareholders of the Company, as follows:</p> <p style="padding-left: 40px;"><u>Series 2 Preferred Shares (PFP2)</u></p> <p style="padding-left: 80px;">Amount: P14.14225 per share Record Date: August 24, 2015 Closing of Books: August 25 to 31, 2015 Payment Date: September 12, 2015</p> <p style="padding-left: 40px;"><u>Common Shares</u></p> <p style="padding-left: 80px;">Amount: P1.20 per share Record Date: August 24, 2015 Closing of Books: August 25 to 31, 2015 Payment Date: September 4, 2015</p> <p>2. 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.</p>

August 7, 2015	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release entitled: <b>“San Miguel Pure Foods Posts P50.5 Billion in Revenues in 1<sup>st</sup> Semester”</b></p>																																
September 3, 2015	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release entitled: <b>“SAN MIGUEL SCORES VICTORY IN U.S. TRADEMARK CASE”</b>.</p>																																
September 28, 2015	<p><u>Item 9. Other Events</u></p> <p>We advise that, in compliance with SEC Memorandum Circular No. 20, Series of 2013, the following directors and key officers of San Miguel Pure Foods Company Inc. have attended a corporate governance training seminar conducted by SGV &amp; Co. on the dates indicated below:</p> <table data-bbox="454 929 1286 1608"> <thead> <tr> <th data-bbox="635 929 751 965"><u>Directors</u></th><th data-bbox="1066 929 1249 965"><u>Date Attended</u></th></tr> </thead> <tbody> <tr> <td data-bbox="454 1003 839 1039">1. Mr. Francisco S. Alejo III</td><td data-bbox="1031 1003 1286 1039">September 24, 2015</td></tr> <tr> <td data-bbox="454 1039 772 1075">2. Mr. Mario C. Garcia</td><td data-bbox="1031 1039 1286 1075">September 24, 2015</td></tr> <tr> <td data-bbox="454 1075 775 1111">3. Mr. Edgardo P. Cruz</td><td data-bbox="1031 1075 1286 1111">September 24, 2015</td></tr> </tbody> </table> <table data-bbox="454 1144 1286 1608"> <thead> <tr> <th data-bbox="611 1144 775 1180"><u>Key Officers</u></th><th data-bbox="1066 1144 1249 1180"><u>Date Attended</u></th></tr> </thead> <tbody> <tr> <td data-bbox="454 1218 858 1254">1. Atty. Alexandra B. Trillana</td><td data-bbox="1031 1218 1286 1254">September 24, 2015</td></tr> <tr> <td data-bbox="454 1254 863 1290">2. Atty. Ma. Celeste L. Ramos</td><td data-bbox="1031 1254 1286 1290">September 24, 2015</td></tr> <tr> <td data-bbox="454 1290 791 1326">3. Mr. Raul B. Nazareno</td><td data-bbox="1031 1290 1286 1326">September 24, 2015</td></tr> <tr> <td data-bbox="454 1326 871 1361">4. Mr. Florentino C. Policarpio</td><td data-bbox="1031 1326 1286 1361">September 24, 2015</td></tr> <tr> <td data-bbox="454 1361 759 1397">5. Mr. Oscar R. Sañez</td><td data-bbox="1031 1361 1286 1397">September 24, 2015</td></tr> <tr> <td data-bbox="454 1397 804 1433">6. Mr. Rodolfo M. Abaya</td><td data-bbox="1031 1397 1286 1433">September 24, 2015</td></tr> <tr> <td data-bbox="454 1433 831 1469">7. Ms. Zenaida M. Postrado</td><td data-bbox="1031 1433 1286 1469">September 24, 2015</td></tr> <tr> <td data-bbox="454 1469 852 1505">8. Ms. Ma. Soledad E. Olives</td><td data-bbox="1031 1469 1286 1505">September 24, 2015</td></tr> <tr> <td data-bbox="454 1505 759 1541">9. Ms. Jennifer T. Tan</td><td data-bbox="1031 1505 1286 1541">September 24, 2015</td></tr> <tr> <td data-bbox="454 1541 788 1576">10. Ms. Mauvir C. Buzon</td><td data-bbox="1031 1541 1286 1576">September 24, 2015</td></tr> <tr> <td data-bbox="454 1576 839 1612">11. Ms. Ophelia L. Fernandez</td><td data-bbox="1031 1576 1286 1612">September 24, 2015</td></tr> </tbody> </table>	<u>Directors</u>	<u>Date Attended</u>	1. Mr. Francisco S. Alejo III	September 24, 2015	2. Mr. Mario C. Garcia	September 24, 2015	3. Mr. Edgardo P. Cruz	September 24, 2015	<u>Key Officers</u>	<u>Date Attended</u>	1. Atty. Alexandra B. Trillana	September 24, 2015	2. Atty. Ma. Celeste L. Ramos	September 24, 2015	3. Mr. Raul B. Nazareno	September 24, 2015	4. Mr. Florentino C. Policarpio	September 24, 2015	5. Mr. Oscar R. Sañez	September 24, 2015	6. Mr. Rodolfo M. Abaya	September 24, 2015	7. Ms. Zenaida M. Postrado	September 24, 2015	8. Ms. Ma. Soledad E. Olives	September 24, 2015	9. Ms. Jennifer T. Tan	September 24, 2015	10. Ms. Mauvir C. Buzon	September 24, 2015	11. Ms. Ophelia L. Fernandez	September 24, 2015
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October 21, 2015	<p><u>Item 9. Other Events</u></p> <p>We advise that, in compliance with SEC Memorandum Circular No. 20, Series of 2013, the following directors and key officers of San Miguel Pure Foods Company Inc. have attended a corporate governance training seminar conducted by Risks, Opportunities Assessment and Management (ROAM), Inc. on the dates indicated below:</p>																																

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November 9, 2015	<p data-bbox="320 640 1466 685"><u>Item 9. Other Events</u></p> <p data-bbox="320 685 1466 797">At the meeting of the Board of Directors of San Miguel Pure Foods Company Inc. (respectively, the “Board” and the “Company”) held on November 6, 2015:</p> <ol data-bbox="320 797 1466 1852" style="list-style-type: none"> <li data-bbox="320 797 1466 1402"> <p data-bbox="320 797 1466 909">1. The Board approved the declaration of cash dividends to shareholders of the Company as follows:</p> <table data-bbox="320 909 1466 1402"> <tr> <th colspan="2" data-bbox="320 909 1466 976"><u>Preferred Shares (PFP2)</u></th></tr> <tr> <td data-bbox="320 976 718 1021">Amount:</td><td data-bbox="718 976 1466 1021">P14.14225 per share</td></tr> <tr> <td data-bbox="320 1021 718 1066">Record Date:</td><td data-bbox="718 1021 1466 1066">November 24, 2015</td></tr> <tr> <td data-bbox="320 1066 718 1111">Closing of Books:</td><td data-bbox="718 1066 1466 1111">November 25 to 27, 2015</td></tr> <tr> <td data-bbox="320 1111 718 1155">Payment Date:</td><td data-bbox="718 1111 1466 1155">December 12, 2015</td></tr> <tr> <th colspan="2" data-bbox="320 1155 1466 1223"><u>Common Shares</u></th></tr> <tr> <td data-bbox="320 1223 718 1267">Amount:</td><td data-bbox="718 1223 1466 1267">P1.20 per share</td></tr> <tr> <td data-bbox="320 1267 718 1312">Record Date:</td><td data-bbox="718 1267 1466 1312">November 24, 2015</td></tr> <tr> <td data-bbox="320 1312 718 1357">Closing of Books:</td><td data-bbox="718 1312 1466 1357">November 25 to 27, 2015</td></tr> <tr> <td data-bbox="320 1357 718 1402">Payment Date:</td><td data-bbox="718 1357 1466 1402">December 4, 2015</td></tr> </table> </li> <li data-bbox="320 1402 1466 1536">2. 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.</li> <li data-bbox="320 1536 1466 1852">3. The Board ratified the approval by the Audit Committee of the Whistle-Blowing Policy for the San Miguel Food Group, comprised of the Company and its subsidiaries. The Policy is aligned with San Miguel Corporation’s Whistle-Blowing Policy for the San Miguel Group. However, 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 interest of the Company committed by its employees, as well the latter's contractors and suppliers.</li> </ol>	<u>Preferred Shares (PFP2)</u>		Amount:	P14.14225 per share	Record Date:	November 24, 2015	Closing of Books:	November 25 to 27, 2015	Payment Date:	December 12, 2015	<u>Common Shares</u>		Amount:	P1.20 per share	Record Date:	November 24, 2015	Closing of Books:	November 25 to 27, 2015	Payment Date:	December 4, 2015
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	<p>4. The Compliance Officer circulated the Internal Self-Rating Form to the Directors, intended to measure Board performance annually, in accordance with the Company's Manual on Corporate Governance. Earlier during the Audit Committee meeting, the Self-Assessment Worksheet was circulated for the members of the Audit Committee to accomplish annually pursuant to its Charter, as required by the SEC.</p>								
November 9, 2015	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release entitled <b>"SMPFC YTD SEPTEMBER REVENUES GROW TO P76.6B"</b>.</p>								
November 12, 2015	<p><u>Item 9. Other Events</u></p> <p>We advise that, in compliance with SEC Memorandum Circular No. 20, Series of 2013, the following directors of San Miguel Pure Foods Company Inc. have attended a corporate governance training seminar conducted by Risks, Opportunities Assessment and Management (ROAM), Inc. on the date indicated below:</p> <table> <tr> <th><u>Director</u></th><th><u>Date Attended</u></th></tr> <tr> <td>1. Mr. Ramon S. Ang</td><td>November 11, 2015</td></tr> <tr> <td>2. Mr. Carmelo L. Santiago</td><td>November 11, 2015</td></tr> <tr> <td>3. Mr. Menardo R. Jimenez</td><td>November 11, 2015</td></tr> </table>	<u>Director</u>	<u>Date Attended</u>	1. Mr. Ramon S. Ang	November 11, 2015	2. Mr. Carmelo L. Santiago	November 11, 2015	3. Mr. Menardo R. Jimenez	November 11, 2015
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December 8, 2015	<p><u>Item 9. Other Events</u></p> <p>We advise that, in compliance with SEC Memorandum Circular No. 20, Series of 2013, Mr. Eduardo M. Cojuangco, Jr., Chairman and Director of San Miguel Pure Foods Company Inc. has attended a corporate governance training seminar conducted by Risks, Opportunities Assessment and Management (ROAM), Inc. on December 4, 2015.</p> <p>For your information and reference, attached is a copy of the certificate of attendance of Mr. Cojuangco.</p>								