



**SBS PHILIPPINES**  
CORPORATION

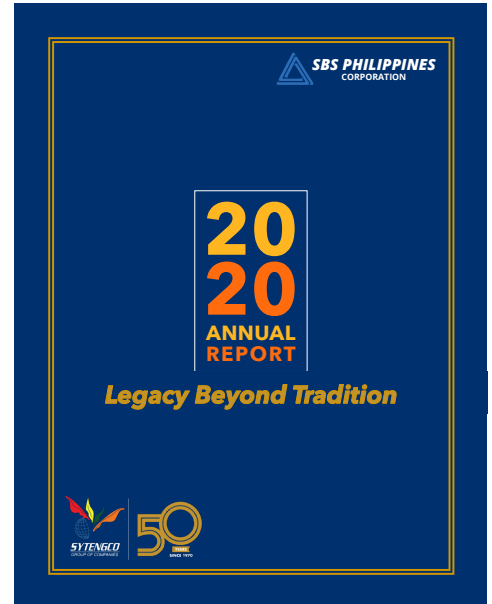
# 20 20 ANNUAL REPORT

***Legacy Beyond Tradition***



# ABOUT THE COVER

This year's Annual Report cover celebrates the 50th year of the Sytengco Group of Companies, the umbrella group to which SBS Philippines Corporation has long been a proud member. Echoing the values of the Group, its simple yet elegant design shows the ethic of the company, guided by tradition and adhering to its core values, delivering results through dedication, resilience and hard work. In its 50th year, the Group has established an enduring legacy that takes a nod to the past but continues to look ever-forward to the future, an inspiration for SBS Philippines Corporation to continue achieving solid results while seeking to conquer new milestones.



## REPORT OVERVIEW

This 2020 Annual Report of Management to Shareholders marks the Group's fiftieth year in the industry. As one of the leading chemical distribution companies in the market, this year's report thoroughly gives an insight of how the company performed during a challenging year for many sectors of the economy. The Company will showcase its progress in various aspects: financial, economic, social and corporate governance performance. It highlights the Company's achievements throughout the year as it incorporates its values and tradition on its core business of chemical distribution and its diversification strategy through its subsidiaries and associate companies.

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# COMPANY PROFILE

## OUR COMPANY

SBS Philippines Corporation (the "Company") is an importer, wholesaler and distributor of a wide range of chemical products serving a diverse set of industries which includes food and beverage, industrial and detergents, feeds and agriculture, water treatment, pharmaceuticals and personal care, building & constructions and mining & minerals. As a full line chemical distribution company, it provides for a one-stop-shop business solution for various chemical requirements of its market customers.

The Company engages in multiple sourcing from different chemical producers and sells a broad range of chemical products and ingredients allowing choice and convenience for a more efficient and economical sourcing of various chemical needs of our customers.

## OUR VISION

Our personal aspiration and business endeavor:

*"To be the best-in-class chemical raw materials provider and the chemical supplier of choice"*

## OUR MISSION

To this end, our mission is to create a legacy of growth by creating value for all stakeholders:

- By bringing in returns for our investors and shareholders
- By meeting the sourcing requirements of our customers
- By improving market penetration for our suppliers
- By ensuring the safety and well-being of our employees
- By contributing to resource efficiency and environmental sustainability for the community



**From humble beginnings.** The company first began as a small store in 1970 starting with just 5 chemical products.



**Dedication and perseverance.** By 1980, the company's first warehouse was opened in Manila.



**Growth mindset.** Expanding its clientele, the company started selling to multinational companies in the 1990s.



## OUR GOAL

We strive to achieve our mission by:

- Distributing a wide range of high quality and cost-effective products
- Extending reliable customer service at all times
- Nurturing strong, long-term relationships with suppliers and customers
- Constantly seeking new markets and new opportunities
- Continuously improving our internal business processes and systems

## CORE VALUES

- Honesty and Integrity
- Hard work and Perseverance
- Productivity and Excellence
- Customer Satisfaction
- Loyalty and Dedication
- Faith in God Almighty



**Upward trajectory.** At the start of the new millenium, the company was formally organized into SBS Philippines Corporation, and further expanded distribution capacity with 5 warehouses.



**Conquering new heights.** A testament to the company's ethics and values, by the 2010s, with a professional management team, the company had expanded to trading over 3,000 chemical products from over 500 suppliers.



**Legacy beyond tradition.** Cementing the founding legacy of the company, SBS Philippines Corporation continues to thrive and excel, pursuing a successful diversification of its income stream, and boldly racing into the future and whatever challenges it may bring.

# CHAIRMAN'S MESSAGE



Dear Shareholders,

The year 2020 will long be remembered as an annus horribilis because of the COVID-19 pandemic and its terrible impact on the Philippines. While its economic effects were severe as evidenced by the 9.5% contraction of Gross Domestic Product, this crisis differed from previous peacetime challenges that the country faced because of its tragic dimension: as of today, over 18,000 Filipinos have succumbed to it out of over 1 million who contracted the illness since March 2020.

Against this terrible backdrop, companies of all sizes and in all industries struggled to operate while coping with the challenges of lockdowns, social distancing, quarantines, and working from home, even as they tried to ensure the health and safety of their employees and other stakeholders. While most companies were thinking at the end of 2019 about how to implement their growth strategies in 2020, they actually spent much of it cutting costs and workforces, while struggling to keep cash flowing as demand dried up in almost all sectors of the economy.

Given all that happened in 2020, I wish to report that your company was able to weather this perfect storm. Despite suffering a 24% drop in revenues, the company's chemical business was not only able to eke out a small profit of P16.5 million but also managed to maintain its cash flow from operations at the previous year's level and even pay down some of its debt. Furthermore, the diversification strategy put in place by our Founder, Mr. Necisto U. Sytengco, proved prescient as one of your company's associates was able to sell its property at a substantial gain. Last but not least, I am happy

to report that all of these were accomplished without retrenching any employees, as many other companies were forced to do.

Operational achievements were likewise matched by improvements in our corporate governance practices. Having been awarded with one Golden Arrow award for good governance by the Institute of Corporate Directors in 2019, your company went one level better in 2020.

Your company's performance in 2020 is the result of much hard work on the part of the management and employees of SBS Philippines Corporation. I wish I had sufficient space in this letter to paint an exact picture of how this team of committed individuals, led by dedicated professionals, managed time and again during the year to find solutions to problems that had never even been imaginable at the end of 2019. On behalf of the board of directors, I would like to express our gratitude to each of them, particularly Ms. Lali Y. Sytengco and Mr. Gerry Tan, for all their efforts and sacrifices on behalf of your company.

Although the Philippines still finds itself in the midst of this pandemic, I believe that the country has turned the corner. Having been in business for the last 50 years, your company faced numerous challenges from economic crises during that period and always found ways to overcome them. The arrival of vaccines, albeit slow and irregular, heralds a return to a "new" normalcy in the near future. Your board and management are already taking steps to position SBS Philippines Corporation to take advantage of the new dawn that is poised to emerge from this long darkness. Based on the legacy of resilience and growth established by our Founder, I hope that you will continue on this journey with us.

Sincerely,



**RICARDO NICANOR N. JACINTO**  
Chairman

# PRESIDENT'S REPORT



Dear Shareholders,

One of the Company's core values is Hard Work and Perseverance. The Company has built and exhibited resiliency when faced with challenges through these core values that each and every employee had adhered to. The year 2020 is another example of those challenging years that allow our core values to shine at its best and lead the company to celebrate another milestone.

As we celebrate the Group's 50 years in the industry, we look forward to continue what has been effective for us by ensuring a solid foundation through our core values, and keeping the entrepreneurial spirit

to adapt to changes that comes our way. In this journey, we hope to provide the best service to our customers and stakeholders.

## FINANCIAL PERFORMANCE

In 2020, the Group generated total revenues of P954 million, down by 24.3% from total revenues of P1.26 billion from prior year. The reduction in sales was primarily due to the prevailing COVID-19 pandemic and the resulting community quarantine that restricted the country's economic activities, as well as the African swine flu that impacted the swine industry in Luzon.

Meanwhile, average gross profit margin increased by 4 percentage points in 2020 as a result of better product mix and a stronger peso currency that softened the negative impact due to a decrease in sales volume brought about by the slowdown in demand during the community quarantine period. Gross profit for the year 2020 ended at P319.1 million, a decrease of 14.5% compared to P373.4 million in 2019.

The Group's operating expenses decreased by 26.7% from P232.3 million in 2019 to P170.3 million in 2020, with P24.7 million of the reduction attributed to lower operating activity for the year. This allowed the Group to post 5.2% higher operating profit of P187.9 million in 2020 compared to the prior year.

In addition, the Group registered equity in net income of P674.8 million in 2020 compared to equity in net loss of P19.8 million in the prior year, while the net finance cost slightly increased to P117.1 million in 2020 from P113.6 million in 2019. This contributed to the sharp increase in our net profit to P700.2 million in 2020, of which P708.7 million is attributed to the shareholders of SBS Philippines Corporation.

Total assets increased to P8.77 billion from P8.45 billion in 2019, mainly as a result of the profit generated for the year. Non-current assets decreased from P6.1 billion to P5.7 billion mainly due to re-classification as separate line item for the asset held for sale of P551 million for the year 2020.

On the other hand, our total liabilities decreased by P376 million from P2.77 billion in 2019 to P2.39 billion in 2020 as the Group repaid our scheduled loan amortization. Total equity had increased from P5.68 billion in 2019 to P6.38 billion, with the increase in retained earnings for the year. Consequently, we improved our gearing ratio at 0.38x in 2020.

We have generated a net cash flow of P500.4 million from our operating activities in 2020, while utilizing net cash of P546.7 million in financing activities and P112.0 million in investing activities.

## **OPERATION PERFORMANCE**

We started the year 2020 with a high sales revenue generated during the first two months but this had been interrupted by the COVID-19 pandemic during the succeeding months of community quarantine, as well as the reduction in swine population due to the African Swine Flu that heavily affected the swine industry in Luzon.

# PRESIDENT'S REPORT

The Group's full year sales revenue decreased by 24% in 2020 with the decrease in volume sales of industrial chemicals and raw material ingredients for animal feeds. Sales of these two segments decreased by 33% compared to the previous year. The Company's sales from its chemical distribution business are accounted for by the following key market segments: feed and agricultural inputs (35%), food ingredients (28%), industrial raw materials (25%), pharmaceuticals and cosmetics ingredients (7%) and others (5%). Meanwhile, SBS Holdings revenue related to various consultancy services generated P45 million towards the Group's revenues.

The ensuing restrictions brought about by different stages of community quarantine tested the effectiveness of your Company's business continuity plan. During this period, the Company hurdled the logistical challenges to serve the raw material requirements of certain essential manufacturing industries such as the food, pharmaceutical and feed segments. We are proud of our highly dedicated workforce that showed resiliency and commitment in serving our customers.

SBS also faced operational challenges in 2020 particularly in managing the escalating import logistics cost due to imbalances on the trade cargo between our product's countries of origin and the Philippines. The slowed down activity in clearing the importation from our ports had also contributed to an increase in average import cost of the products during the year.

In 2020, the Company focused on providing timely delivery and billing to customers and implemented some cost-saving measures to have sufficient cash flows to sustain Company operations and allowed us to retain all employees during this difficult period. We have adopted a flexible work schedule and provided shuttle services to minimize the risk exposure of our employees to the virus. In addition, we had enhanced the health and safety measures implemented across the Company's workplace and warehouses, as well as with our logistics service partners to mitigate the risk of operational disruption. We take the greatest concern in maintaining a healthy and safe environment for all our stakeholders.

## **SUSTAINABILITY**

Your Company submitted its Annual Sustainability Report using the Securities and Exchange Commission Reporting Template format as Annex A of the 2020 Annual Report SEC Form 17A, and, by 2022, we will be reporting our activities using a global standard reporting.

We had invested in solar panels as renewable energy source for our office and warehouse electricity requirements, which will be operational in 2021. This will allow us to decrease our energy consumption for up to 30% on a full year operational basis.

We continuously update our registrations such as HALAL certification for warehousing and logistics services and are compliant with the government regulatory agencies requirements related to the importation, storage, transport, and distribution of our chemical products to our customers in the country.

## **2021 BUSINESS PLANS**

In 2020, the Board approved a mid-term strategy, expanding industry coverage to support revenue recovery in 2021 and thereafter.

Despite the prevailing difficult business environment that we are facing today, your Company is implementing the following plans for our business to be on the course of recovery and growth in the years ahead:

- Generate revenue growth in the food and pharmaceutical segments and widen our product offering to environmental, energy and recycling companies.
- Work closely with stakeholders in the business recovery of the feed ingredients and veterinary inputs segment.



# PRESIDENT'S REPORT

- Boost operational and logistical efficiency through investment in modern warehouse facilities.
- Invest in complementary business activities that will serve as a new growth platform for the Company.

Our subsidiary, SBS Holdings, is expected to deliver positive contribution to the Group's result for the year and in the foreseeable future. The subsidiary is managed by an experienced team and has a portfolio of affiliate companies with landholding assets in prime locations that continue to attract interest from various parties due to its high development potential.

The Group's 2020 result is a testament of a resilient business and a committed team that had fought hard to excel even in this period of adversity. On behalf of the Board of Directors, I would like to give the highest commendation to the management and staff for their hard work, dedication and commitment to SBS.

To our shareholders, customers, suppliers, and all other stakeholders, thank you for your continued trust and support!

Sincerely,



**GERRY D. TAN**  
President



*The use of chemicals are key to meeting the social and economic needs of today's world. While chemical products remain essential to economic and societal progress, proper management and the responsible handling and disposal of chemicals and chemical by-products are necessary to ensure that any impact it may have on the environment and future generations are sufficiently minimized. SBS Philippines Corporation is thus guided by the principles and ideals set forth in the United Nation's Sustainable Development Goals and continuously seeks to support its noteworthy objectives.*

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDGs

*Key products and services and its contribution to sustainable development.*

Key Products and Services	Societal Value/Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Chemical products for road infrastructure	Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Potential increase in plastic pollution as most packaging are in plastic drum; or improper disposal of packaging material	Provide information to Customers on proper disposal of product and its packaging material, as defined in the material safety data sheet
Products for water and wastewater treatment	Goal 6: Ensure availability and sustainable management of water and sanitation for all	Potential increase in plastic pollution as most packaging are in plastic drum; or improper disposal of packaging material	Provide information to Customers on proper disposal of product and its packaging material, as defined in the material safety data sheet
Chemical raw materials	Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Potential increase in plastic pollution as most packaging are in plastic drum; or improper disposal of packaging material	Provide information to Customers on proper disposal of product and its packaging material, as defined in the material safety data sheet
Chemical Products classified under PCL and CCO of DENR	Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Products are classified as potentially posing unreasonable risk to public health, workplace, and the environment if not used in the correct manner	Management complies with regulatory requirements and ensures that these products are sold only to authorized users

# 2020 IN REVIEW

SBS Philippines Corporation exhibited resiliency and effectively implemented its business continuity plan amidst the challenges brought about by COVID-19 pandemic that impacted many businesses in the country. The Group's diversification strategy has timely delivered the projected return to enhance value for its shareholders.

## RESULTS OF OPERATIONS

In 2020, SBS reported consolidated sales revenue of P954.0 million from its core chemical distribution business and consultancy income. Operating profit registered P187.9 million while net finance cost totaled P117.1 million. The group reported equity in net income from associates of P674.8 million that is partially offset by a net loss after tax from discontinued operations of P15.4 million. This resulted in a consolidated net income of P700.2 million for the year.

The group generated a net cash from operating activities of P500.4 million and utilized P112.0 million of cash for its investment activities while another P546.7 million is used in financing activities primarily for loan settlement and interest payment.

## CORE CHEMICAL DISTRIBUTION BUSINESS

Sales from core chemical business declined by 24.2% to P909.3 million as the COVID 19 pandemic and the resulting community quarantine for several months had negatively affected the sales of industrial chemicals and to some extent the food ingredients business. In addition, the African Swine Flu that impacted the swine industry in Luzon caused a decrease in sales of animal feed ingredients in 2020. The Company's sales to the key product segments of feed, veterinary and agriculture inputs; food ingredients; industrial chemicals; pharmaceutical and cosmetics products accounted for 35%, 28%, 25% and 7%, respectively, of 2020 sales revenues.

The company increased the gross margin by 4 percentage points as a result of better product mix and a stronger peso currency that softened the negative impact due to decrease in sales volume brought about by the slowdown in demand during the community quarantine period.

Operating expense declined by 13.6% due to restricted travel and lower business development and internal training activities during the year, while additional administrative expenses were incurred to ensure health and safety of the employees and customers such as frequent disinfection of facilities and provision of protective equipment such as face masks, face shields and alcohol.

The Company has re-aligned its logistical capability to adapt to customers' requirement and new way of doing business during the COVID-19 pandemic period that affected the country.

## PROPERTY RELATED INVESTMENTS

SBS Holdings and Enterprises Corporation ("Subsidiary") principal activity includes investments in companies with land banking investments in prime parcels of land. Its other business segments include property management and leasing, and distribution and sale of construction materials.

In 2020, the Subsidiary contributed sales revenue of P44.6 million in consultancy income and additional P32 million from various management services.

The Group made additional investments in certain associate companies amounting to P107.5 million through subscription of shares in these companies. Group-wide, the property-related investments booked an equity in net income of P674.8 million for 2020.

At end of 2020, the Group has investments in 25 associate companies, of which 22 of them have landholding investments in prime areas around Metro Manila and in other urban cities.

## FINANCIAL CONDITION

As at 31 December 2020, total assets reached P8,770.5 million, consisting of P2,516.0 million in current assets, P5,703.3 million in non-current assets and P551.2 million in asset held for sale. Cash in banks decreased by 39.7% or P157.2 million from P395.6 million in 2019 to P238.4 million in 2020 as the group paid P400.0 million of its outstanding loan obligation from internally generated funds.

Trade and other receivables decreased by P91.7 million from P815.6 million in 2019 to P723.9 million in 2020.

The inventory level went down by P109.9 million or 10.9% from P1,004.3 million in 2019 to P894.5 million in 2020 as a result of lower volume of importation for stock replenishment in light of a decrease in market demand from the customers.

Prepayments and other current assets increased by P563.1 million to P659.3 million in 2020 from P96.2 million in 2019 as certain non-current asset held by the Group in the previous year is expected to be refunded in the next 12 months on the account of cancellation of the intended transaction due to unfavorable result

of the due diligence of the property. Consequently, other non-current assets in 2020 decreased by P763.5 million to P2,105.5 million in 2020 from P2,869.0 million in 2019 mainly due to the reversal of the deposit previously held as non-current asset.

Investment in associates grew by P782.3 million or 36.8% from P2,123.0 million in 2019 to P2,905.3 million in 2020 as a result of net equity gain of P674.8 million and additional new investments made in shares of associate companies made by the Group amounting to P107.5 million.

Property and equipment value decreased by P79.7 million to P12.9 million in 2020 from P92.6 million in 2019, as a result of P15.5 million as depreciation of the assets and P68.3 million for reclassification of the asset held for sale, while partially offset by addition of P4.1 million of asset purchase.

In 2019, the Group adopted PFRS 16, Leases, which resulted in changes in the accounting of lease transactions. Right-of-use asset decreased by P41.6 million from P93.1 million in 2019 to P51.5 million in 2020 consisting of P25.6 million in depreciation and amortization while P16.1 million has been reclassified into short term lease.

Investment properties decreased by P309.2 million to P625.7 million in 2020 from P934.9 million in 2019 due to Company subsidiary's depreciation charges on its investment property amounting to P5.8 million, and reclassification of its subsidiary's property as asset held for sale in the amount of P303.4 million.

Net deferred tax asset from continuing operations decreased by P21.2 million from P23.6 million in 2019 to P2.4 million in 2020.

# 2020 IN REVIEW

Meanwhile, total liabilities as at 31 December 2020 amounted to P 2,394.2 million comprised of P2,043.9 million in current liabilities, P349.8 million in non-current liabilities and P0.5 million liabilities attributable to assets held for sale.

Current loans payable increased by 13.7% or P222.4 million from P1,617.8 million in 2019 to P1,840.1 million in 2020 due to the shift of long term bank loan to current loan for the portion of amortization due in the next 12 months.

A 5-year term loan of P2,000.0 million availed in 2017 at a fixed interest rate of 4.875% per annum, net of amortized debt issue cost, has a remaining non-current portion of P333 million.

Trade and other payables increased by P39.4 million to P177.7 million in 2020 from P138.3 million in 2019 mainly due to increase in trust receipts payable.

Lease liabilities decreased by P18.1 million from P44.1 million in 2019 to P26.0 million in 2020 comprising of P27.0 million in

lease payment and partially offset with P6.7 million in additional lease liabilities and P2.1 million of interest accretion.

Post-employment defined benefit obligation increased by 44.0% or P2.7 million from P6.3 million in 2019 to P9.0 million in 2020 on the account of recognized re-measurements on deferred benefit obligation and related interest cost.

The total equity as at 31 December 2020 was P6,376.3 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,800.5 million in retained earnings gross of P4.1 million revaluation reserves and P787.1 million of non-controlling interest.

Retained earnings increased by P708.7 million from P1,091.8 million in 2019 to P1,800.5 million in 2020. Meanwhile, the Non-controlling interest decreased by P8.5 million from P795.6 million in 2019 to P787.1 million in 2020 as attributed from the Group's consolidated net income of P700.2 million.

## SBS Group at a Glance

**Gross Revenue: P 954M**

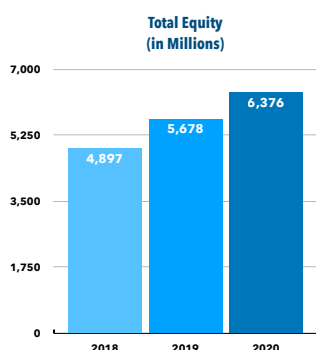
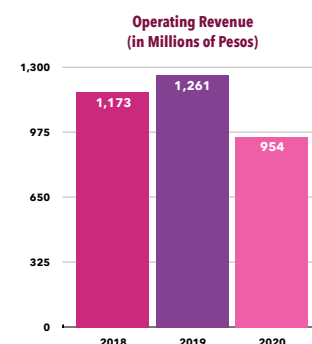
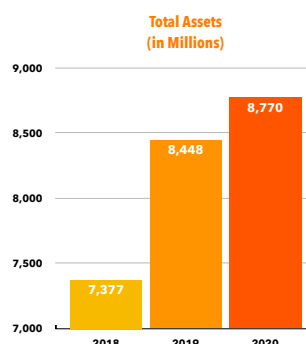
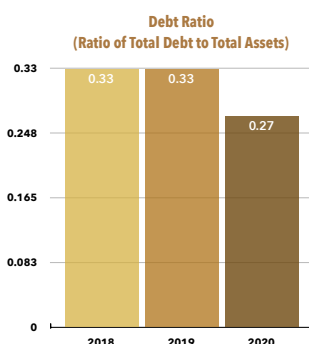
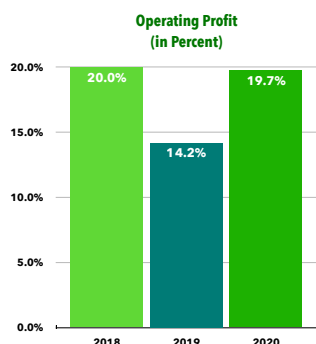
**Net Income: P 700M**

**Earnings per Share: P 0.46**

**Current Ratio: 1.23**



# 2020 PERFORMANCE HIGHLIGHTS



## Quarterly High and Low SBS Share Prices

(in Philippine Peso)

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
LOW	5.44	6.60	7.68	6.60	7.41	8.51	8.97	8.25	5.40	4.81	3.94	4.10
HIGH	11.80	9.62	8.70	8.00	9.03	9.70	9.56	9.36	9.44	5.98	5.07	6.55

## Schedule of Financial Indicators for December 31, 2020, 2019 and 2018

	2020	2019	2018
<b>Liquidity Ratio<sup>1</sup></b>	123.1%	129.8%	301.8%
<b>Debt to Equity Ratio<sup>2</sup></b>	37.5%	48.8%	48.8%
<b>Asset to Equity Ratio<sup>3</sup></b>	137.5%	148.8%	148.8%
<b>Return on Assets<sup>4</sup></b>	8.0%	0.3%	2.4%
<b>Return on Equity<sup>5</sup></b>	11.0%	0.4%	3.6%
<b>Interest Rate Coverage Ratio<sup>6</sup></b>	6.90	1.24	2.29
<b>Earnings per Share<sup>7</sup></b>	PHP 0.46	PHP 0.01	PHP 0.11

<sup>1/</sup> Current Assets over Current Liabilities

<sup>2/</sup> Total Liabilities over Equity

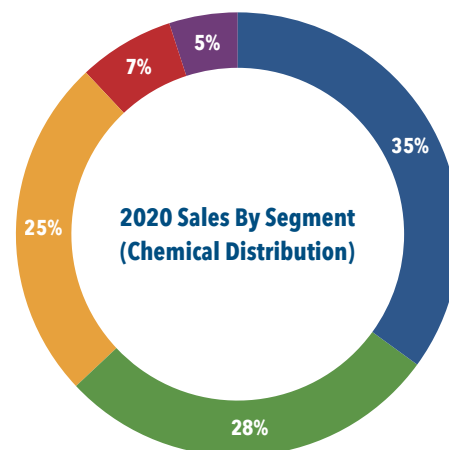
<sup>3/</sup> Total Assets over Equity

<sup>4/</sup> Net Income over Average Assets

<sup>5/</sup> Net Income over Average Equity

<sup>6/</sup> Earnings before interest and taxes (EBIT) divided by interest expense

<sup>7/</sup> Net Income over Weighted Average Number of Common Outstanding Shares



- Feed, Veterinary and Agricultural Inputs
- Food Ingredients
- Industrial Raw Materials
- Pharmaceuticals and Cosmetics
- Others

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILE



**Ricardo Nicanor N. Jacinto**, 60 years old, was elected as a non-executive director of the Company on 15 July 2015. On 17 September 2020, he was elected as the Chairman of the Board of the Company, and as the Chairman of the Nomination and Remuneration Committee on 09 November 2020. He currently also serves as a director of Torre Lorenzo Development Corporation as well as an Independent Director of Metro Retail Stores Group, Inc, Etiqua Life and General Assurance Philippines, and Maybank ATR Kim Eng Capital Partners, Inc. He is likewise a Trustee of the Judicial Reform Initiative and the Institute of Corporate Directors (where he previously served as its Chief Executive Officer from 2013- 2017). He was formerly a Managing Director of Ayala Corporation and President & CEO of Habitat for Humanity Philippines. He also served as a director of Manila Water Corporation from 2011-2014. Mr. Jacinto earned his BS Business Economics magna cum laude from the University of the Philippines and holds a Masters in Business Administration from the Harvard Business School.



**Aylene Y. Sytengco**, 37 years old, was elected as Vice Chairperson on 17 September 2020. She joined the Company as Treasurer in 2008 and has served as its Chief Financial Officer since 2013. She is responsible for the day to day management of the financial affairs of the Corporation which covers accounting, financing & treasury, budget & financial planning and investment management. She was first elected as director of the Company in 2008. She also currently serves as an executive director (Director & Treasurer) of the corporations owned by the Sytengco Family which includes Anesy Holdings Corporation, ADZ On Wheels Corporation, Aneco Philippines Holdings Corporation, Anase Holdings Corporation, Baler Industrial Corporation, Canon Philippines Holdings Corporation, Sytengco Enterprises Corporation, Seren Philippines Corporation and ULife Corporation. She holds a degree in BS Management of Applied Chemistry from the Ateneo De Manila University.





**Necisto Y. Sytengco II**, 36 years old, was elected as Vice Chairman on 17 September 2020 and as a member of the Executive Committee. On November 9, 2020, he was elected as a member of the Corporate Governance Committee. He joined the Company as Purchasing Officer in 2008 and was appointed as VP Sales in 2010 and SVP – Marketing Operations in 2015 and Assistant Treasurer on 9 July 2015. He is responsible for planning and implementing sales and marketing programs of the Company. He also currently serves as the Chairman of Anesy Holdings Corporation, and an executive director (Director & Vice President) of the corporations owned by the Sytengco Family which includes Aneco Philippines Holdings Corporation, Berny Philippines Holdings Corporation, Selec Holdings Corporation, Tamni Holdings Corporation, and ULife Corporation. He earned his BS Entrepreneurial Management Degree cum laude from the University of Asia and the Pacific.



**Gerry D. Tan**, 54 years old, joined the Company in January 2016 as President & Chief Executive Officer. He was first elected as director of the Company in 2016. Mr. Tan has over 30 years of experience in the chemical distribution industry in the Philippines and the Asia-Pacific region. Prior his appointment in the Company, he was Senior Adviser and General Manager of Bluestar Silicones Asia-Pacific and a board director of Bluestar Silicones Shanghai of the China National Bluestar Corporation Group, a global frontrunner in new chemical materials. He led a successful career spanning key senior positions at Bluestar Silicones Asia-Pacific (2007 – 2015), Rhodia Silicones Asia-Pacific (1998-2007) and RhonePoulenc Philippines (1986-1998). Mr. Tan earned his BS Chemistry degree magna cum laude from Siliman University and holds a Masters Degree in Business Administration from the Ateneo de Manila University.

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILE



**Esmeraldo A. Tepace**, 68 years old, joined the Company in 2004 and has served as its Chief Operating Officer/General Manager since 2004. He was first elected as director of the Company in March 2013. Prior to joining the Company, he was the Sales & Marketing executive of Baler Industrial Corporation, JY International Marketing Corporation, CAWC, Inc. and Chemphil Manufacturing Corporation. Mr. Tepace has over 35 years of experience in the chemical distribution business in the Philippines. He also currently serves as President of the following corporations owned by the Sytengco Family: ADZ on Wheels Corporation; Aneco Industries Corporation, Baler Industrial Corporation, Sytengco Enterprises Corporation, Seren Philippines Corporation and ULife Corporation. Mr. Tepace graduated from Manuel L Quezon University with a degree on BS Chemical Engineering.



**Lali Y. Sytengco**, 70 years old, joined the Company in 2001 and has since served as the VP for Purchasing. On 17 September 2020, she was elected Director of SBS Philippines, and a member of the Executive Committee. On November 9, 2020, she was elected as member of the Corporate Governance Committee. She is responsible for overall procurement including product sourcing, supplier relationship management and supply chain of the company. She has over 20 years' experience in chemical procurement business. She is a graduate of University of Sto. Tomas, with a degree in BS Medical Technology.





**Geocel D. Olanday**, 65 years old, was elected as independent director on 22 June 2018. He is the Lead Independent Director and Chair of the Related Party Transaction Committee. He is a CPA, holds a Masteral degree in Business Administration from the University of the Philippines where he also graduated with a degree of Bachelor of Science in Business Administration and Accountancy. He is concurrently the CEO and Chief Advisor of Amaris Global Advisory Services (HK) Ltd. (Corporate Restructuring, Business Development & Financial Advisory; Transportation, Real Estate, ICT, etc.), a teaching Fellow of the Institute of Corporate Directors, and a director of the board of Star 8 Green Technology Corporation (manufacturer and distributor of Solar E-Vehicles), President of i-Home Foundation Inc. (Poverty & Socialized Housing NGO). Prior to his appointment, Mr. Olanday was a director of Mindoro Resources Ltd (a TSX-V listed junior mining company) and several subsidiaries to the Villar Group Real Estate businesses (Camella, Brittany, Crown Asia, Star Mall, Golden Haven, MGS Construction, Primewater, Planet Cable, Vitacare Hospital JV, Transportation, Pest Control, etc.). In addition, he has over 40 years of work experience in senior executive positions in General Management, Finance, Marketing and Strategy & Business Development in various companies which include among others : Citibank NA, Unilever Philippines, Habitat for Humanity , Baxter Healthcare Corporation, the Villar Group of Companies as well as Moldex Realty Corporation and Greenfield Development Corporation.



**Roberto F. Anonas**, 65 years old, was elected as independent director on 9 October 2017 and is also the Chairman of the Corporate Governance Committee. He is currently Director and General Manager at Fujihaya Electric Corporation. He is also an Independent Director and Chair of the Audit Committee of Macay Holdings, Inc. He holds a Masters in Business Administration from IMEDE, a Management Development Institute under the University of Lausanne, Switzerland and is currently a member of the faculty of the University of Asia and the Pacific, School of Management as lecturer in Finance and management mentor/coach and Head of the New Business Ventures Module in the Entrepreneurial Management Program. He has attended training programs in financial management, investment and universal banking with Dillon Read & Co, NYC and Dresdner Bank AG, Frankfurt and has previously held senior management and executive positions in PLDT, PCI Capital Corporation and Philippine Commercial Capital, Inc. He is also a director of Pentarch Stalwork Builders, Inc..

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILE



**Helen T. De Guzman**, 63 years old, was elected as independent director of SBS Philippines Corporation on 22 May 2019 and is also the Chairperson of the Audit and Risk Oversight Committee. Helen holds an Executive Masteral degree in Business Administration dean's list from the Asian Institute of Management. She is a certified public accountant, certified internal auditor and has global certification on risk management assurance. Currently, she is an Audit Committee advisor of the Peace and Equity Foundation Inc., board trustee of the Meralco Employees' Savings and Loan Association, Treasurer of Couples for Christ Global Mission Foundation, Inc. and a teaching Fellow and instructor of the Institute of Corporate Directors and the Institute of Internal Auditors Philippines, respectively. Previously she held directorship positions in Miescor Builders, Inc., Customer Frontline Solutions, Inc., and the Philippine Institute of Certified Public Accountants, Institute of Internal Auditors, Philippines, and the Asian Confederation of Institutes of Internal Auditors. Helen is a seasoned chief audit executive and a former external auditor. In addition, she has work experience in senior executive positions in comptrollership, treasury and general management in various companies, which include Metro, Inc., Computer Information System, Inc. and the Manila Electric Company.



**Christine P. Base**, 50 years old, was appointed as Corporate Secretary of the Company in January 2017. Atty. C. P. Base is a senior partner of Pacis & Reyes Law offices and is both a lawyer and CPA by profession. She obtained her J.D. degree from the Ateneo De Manila University. She also serves as corporate secretary and director of the following companies: Itaipinas Development Corporation and Anchor Land Holdings, Inc. and other private companies. She also serves as the corporate secretary for SLAgritech Corporation, Ever Gotesco Resources and Holdings, Inc., Asiasec Equities, Inc., and Araneta Properties, Inc.

**Aileen Lou G. Codamon**, 40 years old, joined the Company in 2020 and was appointed as Assistant VicePresident – Controller on 17 September 2020. She was previously the AVP-Finance for Gigawatt Power, Inc. She also served as Manager for Financial Planning Analysis for Solaire Resort and Casino, and as Finance Manager for World Citi Group and Crowne Plaza Manila Galleria. She is a Certified Public Accountant, and has ongoing studies in Master in Business Administration with the De La Salle University's Graduate School of Business.

**Jose Fidel R. Acuña**, 35 years old, and the Chief Information Officer and Compliance Officer of the Company. Atty. Acuña earned his Bachelor's Degree in Law at Far Eastern University, and Bachelor of Arts Major in Legal Management at the University of Santo Tomas. He is currently the Managing Partner of Acuña and Francisco Law and the Corporate Secretary for TR Bank, Inc. He is also a Director and/or Corporate Secretary for several private corporations.

**Sabrina Adamelle Poon-Sytengco**, 36 years old, is the Investor Relations Officer of the Company. Prior to her joining the Company, Ms. Poon-Sytengco previously worked as Program Officer in the Office of the Presidential Adviser on the Peace Process. She holds a Bachelors of Arts degree in International Studies, Major in International Relations from Miriam College and continuing education units in Women and Gender Studies from University of Delaware.

**Maria Gemma R. Bien**, 52 years old, is the Internal Auditor of the Company. She manages the operations and business development activities of GRP Compliance and Advisory Services Inc. ("GRP"), a finance and accounting business processing outsourcing company that offers value-added services such as but not limited to management and financial advisory, statutory compliance and tax advisory and internal audit outsourcing. Prior to setting up GRP in August 2016, she was engaged in the practice of providing financial advisory services to corporate and individual clients from 2009 as freelance consultant, leveraging on her ten (10) years extensive experience in Financial Advisory works as Senior Manager from 1997 to 2008 in Manabat San Agustin and Co. (LM & Co.), an affiliate member firm of KPMG. Ms. Bien obtained her Master of Business Administration (MBA) in Dela Salle University, Taft Avenue, Manila in 1995. She completed her Bachelor of Science in Commerce degree Major in Accounting from the University of Sto. Tomas, España Manila and became a Certified Public Accountant.

# BOARD COMPENSATION AND REMUNERATION

## EXECUTIVE OFFICERS SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (in PHP)	Bonuses (in PHP)	Others (in PHP)
Gerry D. Tan <i>President and CEO</i>	Actual 2020	5,804,458	203,773	3,853,360
Esmeraldo A. Tepace <i>EVP and COO</i>				
Aylene Y. Sytengco <i>Chief Financial Officer and Treasurer</i>				
Necisto Y. Sytengco II <i>SVP Marketing Operations and Assistant Treasurer</i>	Actual 2019	4,497,651	188,818	3,348,904
Aileen G. Codamon <i>Accounting Head/Controller</i>				
All Other Directors and Officers as a Group, unnamed	Actual 2020	1,179,633	32,731	977,747
	Actual 2019	976,887	19,096	11,243

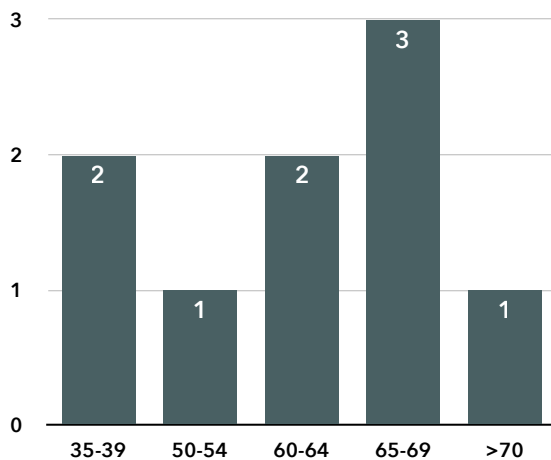
## STANDARD ARRANGEMENTS FOR THE BOARD OF DIRECTORS

Each independent and non-executive Director receives a per diem allowance of P25,000.00 for every attendance in regular meetings and special meetings of the Board of Directors, respectively. In addition, the independent and non-executive directors also receive a per diem allowance of P10,000.00 for each Board Committee meeting attended.

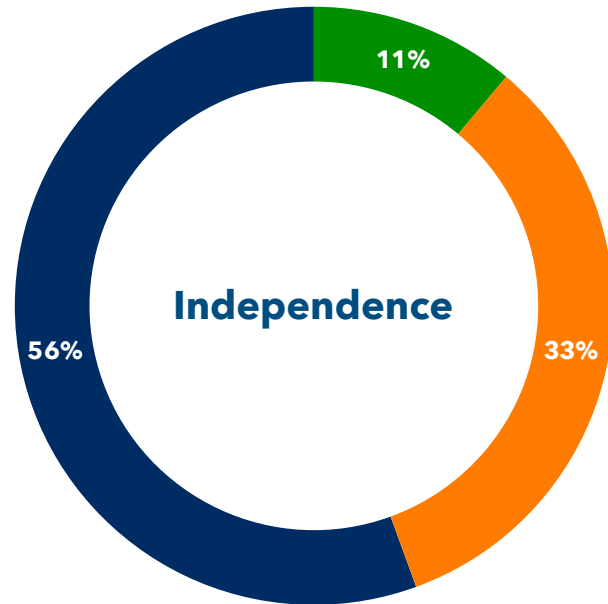
Director	Director's Fees (2019)	Director's Fees (2020)
Lali Y. Sytengco	Executive Directors do not receive any compensation or per diem by reason of their directorship.	
Gerry D. Tan		
Esmeraldo A. Tepace		
Aylene Y. Sytengco		
Necisto Y. Sytengco II		
Ricardo Nicanor N. Jacinto	Php 345,000	Php 345,000
Geocel D. Olanday	Php 345,000	Php 375,000
Roberto F. Anonas, Jr	Php 345,000	Php 350,000
Helen T. De Guzman	Php 160,000	Php 350,000

# BOARD COMPOSITION, DIVERSITY AND BALANCE

**Age of Group of Directors**

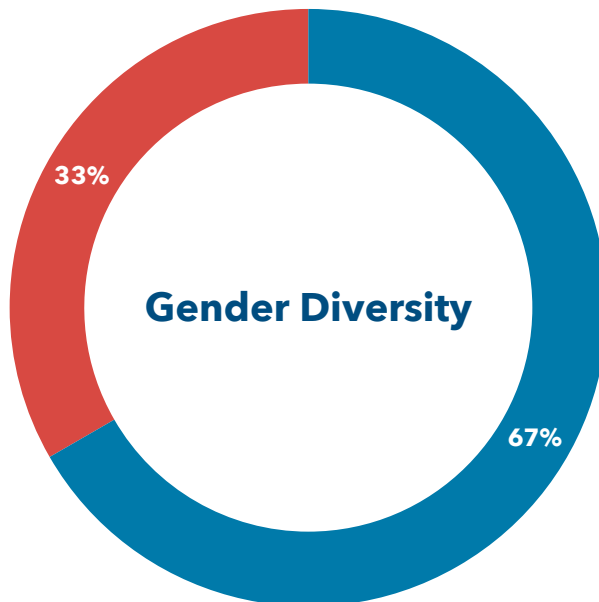


**Independence**



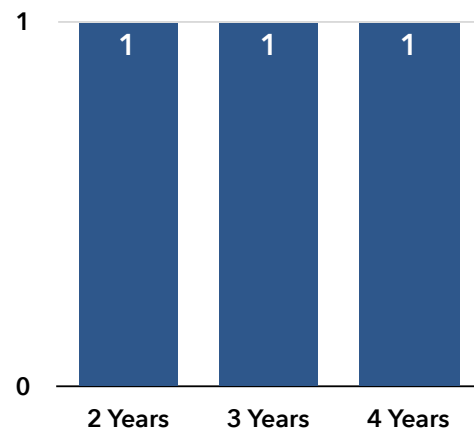
- Chairman/Non-Executive Directors
- Independent Non-Executive Director
- Executive Directors

**Gender Diversity**



- Male Directors
- Female Directors

**SBS Independent Directors  
Length of Service  
(Number of Years)**



# BOARD AND COMMITTEE ATTENDANCE

BOARD OF DIRECTORS			
Composition	Name	No. of Meetings Held During the Year	No. of Meetings Attended
Chairman	Ricardo Nicanor N. Jacinto	9	9
Vice Chairperson	Aylene Y. Sytengco	9	9
Vice Chairperson	Necisto Y. Sytengco II	9	9
Member	Gerry D. Tan	9	9
Member	Esmeraldo A. Tepace	9	6
Member	Lali Y. Sytengco <sup>1</sup>	3	3
Independent Director	Helen T. de Guzman	9	9
Independent Director	Roberto F. Anonas, Jr.	9	9
Independent Director	Geocel D. Olanday	9	9

EXECUTIVE COMMITTEE (2020)			
Composition	Name	No. of Meetings Held During the Year	No. of Meetings Attended
Chairman	Gerry D. Tan	7	7
Member	Esmeraldo A. Tepace	7	5
Member	Aylene Y. Sytengco	7	7
Member	Necisto Y. Sytengco II	7	7
Member	Lali Y. Sytengco <sup>1</sup>	3	3

<sup>1</sup> Elected on September 17, 2020

#### AUDIT AND RISK MANAGEMENT COMMITTEE (2020)

Composition	Name	No. of Meetings Held During the Year	No. of Meetings Attended
Chairman (ID)	Helen T. de Guzman	5	5
Member (NED)	Ricardo Nicanor N. Jacinto	5	5
Member (ED)	Aylene Y. Sytengco	5	5
Member (ID)	Roberto F. Anonas, Jr.	5	5
Member (ID)	Geocel D. Olanday	5	5

#### RELATED PARTY TRANSACTIONS COMMITTEE (2020)

Composition	Name	No. of Meetings Held During the Year	No. of Meetings Attended
Chairman (ID)	Geocel D. Olanday	2	2
Member (ID)	Helen T. de Guzman	2	2
Member (ID)	Roberto F. Anonas, Jr.	2	2

#### CORPORATE GOVERNANCE, NOMINATION AND REMUNERATION COMMITTEE (2020)

Composition	Name	No. of Meetings Held During the Year	No. of Meetings Attended
Chairman (NED)	Roberto F. Anonas, Jr.	3	3
Member (ID)	Geocel D. Olanday	3	3
Member (ID)	Helen T. de Guzman	3	3
Member (ED)	Necisto Y. Sytengco II <sup>2</sup>	1	1
Member (ED)	Lali Y. Sytengco <sup>2</sup>	1	1
Member (NED)	Ricardo Nicanor N. Jacinto	2	2

<sup>2</sup> Elected on November 09, 2020

# CORPORATE GOVERNANCE

**The trust of our shareholders and other stakeholders is fundamental to our business and is the source of the success and growth of the Company. We are committed to preserving this relationship of trust by promoting a strong corporate governance culture and framework that is anchored on transparency and accountability, competent leadership, effective internal controls, and prudent risk management.**

The business and affairs of the Company are supervised by the Board of Directors. The Board believes that good corporate governance is a critical factor in achieving business success, aligning management and shareholder interests, and fulfilling the company's responsibilities to its stakeholders.

In order to establish a solid base for good corporate governance, the Company adopted a Revised Manual of Corporate Governance 2019 ("CG Manual 2019") on May 22, 2019 and submitted the same to the Securities and Exchange Commission on May 30.

Recognition of the Company's corporate governance practices came about when it received the prestigious Golden Arrow award of the Institute of Corporate Directors ("ICD") on February 19, 2021. The award was given by ICD to the top performing public-listed companies in the Philippines based on corporate governance best practices found in the ASEAN Corporate Governance Scorecard ("ACGS") for the year 2019. ICD is the official Philippine representative of the Securities and Exchange Commission to the panel of ASEAN corporate governance experts that administers the ACGS.

The highlights of the Company's corporate governance practices in 2020 in accordance with the Company's CG Manual are described below. A full report on the Company's compliance with the guidelines set under the Code of Corporate Governance for Publicly-Listed Companies is provided in the 2019 Integrated Annual

Corporate Governance Report, a copy of which is available at the Company's website at [www.sbsp.com](http://www.sbsp.com).

## Board Structure and Process

The corporate powers of the Company are exercised and its business conducted by the Board of Directors (the "Board"). There are nine directors on the Board headed by its Chairman who is a non-executive director. In 2020, a new Chairman was elected to the vacancy created by the Chairman and Founder's untimely passing. Five (5) are executive directors with specialized competencies in business and supply chain management, sales and marketing, accounting and finance and three (3) are independent directors with specialized competencies in audit and internal controls, corporate governance and risk management, business development and strategy formulation.

Five directors constitute a quorum for the transaction of corporate business. In general, every decision of a majority of the quorum duly assembled as a Board is valid as a corporate act.

The members of the Board are elected during each regular meeting of the shareholders by the vote of shareholders representing majority of the issued and outstanding capital stock of the Company. Any vacancy occurring in the Board other than by removal of a director prior to expiration of such director's term may be filled by a vote of at least a majority of the remaining members of the Board, if still



constituting a quorum. Otherwise, the vacancy must be filled by the shareholders at a meeting duly called for the purpose. Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

The Board works together in a spirit of collective responsibility to provide strategic direction, entrepreneurial leadership and guidance to Management. Its duties include approving strategic plans and annual budgets, monitoring financial performance, ensuring that financial statements are true and fair, determining the Company's capital/debt structure, setting dividend policy and declaring dividends, approving major acquisitions and divestments, reviewing its risk management framework and system, overseeing the performance of Management, setting Company values and standards, considering sustainability issues in formulating strategies, and ensuring succession planning.

Upon joining the board, new members go through an orientation process where they are briefed by the Corporate Secretary, Compliance Officer and Management on their fiduciary responsibilities as directors, the Company's governance policies and processes, and the regulatory and industry developments affecting its business and operations. As part of the continuing development program for the members of the Board, the directors attended various corporate governance courses conducted by the Institute of Corporate Directors, Center for Global Best Practices, the Securities and Exchange Commission and Risk, Opportunities, Assessment and Management (ROAM), Inc in 2020. Topics covered during these sessions are varied in line with individual's requirement for enhancement of its knowledge and skills such as sustainability, strategy and reporting; future trends; integrating climate risk in corporate strategy;

finance business restructuring during and after a crisis; corporate governance orientation program; new code of corporate governance for public companies and registered issuers and the 7th SEC-PSE corporate governance forum.

The Board agenda for each meeting is set by the Chairman in consultation with the Chief Executive Officer and Company Secretary. Board papers providing comprehensive information on the agenda items are generally circulated to the Directors at least five (5) business days prior to each meeting to enable them to consider the matters in advance and prepare for the meeting. Operations and financial reports are also provided to the Board on a regular basis. This information included quarterly reports on sales and financial performance versus budget, regulatory compliance, investment proposals, special project and subsidiary developments. Directors have open access to Senior Management, the external auditor and information for the purpose of carrying out their duties.

There were a total of 9 Board meetings were held in 2020.

Non-executive members of the Board regularly conduct executive session meetings among themselves. They also hold separate meetings with the external auditor, internal auditor and compliance officer.

### **Board Committees**

The Board currently has five (5) principal standing committees to assist it in discharging its responsibilities. The work and actions of these committees are regularly reported to and monitored by the Board.

# CORPORATE GOVERNANCE

## Executive Committee (Excom)

The Executive Committee was established with the delegated authority to act on corporate matters which are within the competence of the Board except the following authorities that are specially reserved for the Board: **(a)** approval of any action of which shareholder approval is also required; **(b)** amendment or repeal of By-Laws or adoption of new By-Laws; **(c)** approval of the annual report and accounts; **(d)** exercise of powers delegated by the Board to other committees; **(e)** board appointments and removals; **(f)** selection of the Chairman and President & Chief Executive Officer and appointments for Board membership following recommendations from the Nomination Committee; **(g)** appointment or removal of the Corporate Secretary and Treasurer; **(h)** appointment, reappointment or removal of the external auditor; **(i)** distribution of cash dividends to shareholders and **(j)** powers delegated by the Board to other Board Committees.

In practice, the Executive Committee assists the Board discharge its responsibilities during the periods between Board meetings by acting on items related to day to day operations that requires board approval for compliance purposes by the counter-parties. In 2020, the Executive Committee held seven (7) meetings to act on such matters. It also updated the Executive Committee Charter which was endorsed to the Corporate Governance Committee, and formally approved by the Board on July 3, 2020. The Executive Committee is composed entirely of Executive Directors with management functions.

All acts of the Executive Committee for the period immediately prior to its regular meetings are presented to the Board for ratification.

## Audit and Risk Oversight (AROC) Committee

The Audit and Risk Oversight (AROC) Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, enterprise risk management and system of internal control, the external audit process, and the company's process for monitoring compliance with laws and regulations. It is also responsible for reviewing the independence and objectivity of the external auditor and recommending the appointment of the independent auditor for the ensuing year to the Board, subject to approval by the shareholders during the annual stockholders' meeting.

The Committee is composed of five (5) members, a majority or three of whom are independent directors, plus a non-executive director and the Director-CFO as an ex-officio non-voting member. The Committee meets at least quarterly or as often as may be necessary.

In 2020, the Audit and Risk Oversight Committee held a total of five (5) meetings comprising of four (4) regular meetings and one (1) executive session with the internal and external auditors.

The committee conducted the following activities:

1. Reviewed with Management and the External Auditors, Punongbayan and Araullo the Audited Parent Company and Consolidated Annual Financial Statements of SBS Philippines Corporation and Subsidiaries, including the related significant judgments and estimates of Management, and endorsed the audited financial statements to the Board for approval;
2. Reviewed with Management the quarterly unaudited financial statements of the company before their submission to the

- Board for approval and the filing of the same with the Securities and Exchange Commission;
3. Reviewed updates on risk management activities of the parent company including the reasonableness and effectiveness of its business continuity plan in the light of the ongoing pandemic;
  4. Reviewed the overall evaluation of the Company's internal control system by the Internal Auditor, whether it is adequate and effective and that appropriate actions have been undertaken by Management to address Internal Audit findings and recommendations;
  5. Reviewed and assessed the Internal Audit's plan and scope of audit for the year, the examination process and audit focus, and the results of the audit including the responses of Management to its reports;
  6. Assessed the independence, performance and compliance of the external auditors on Philippine standards of auditing and endorsed the re-appointment of Punongbayan and Araullo to the Board as the independent External Auditors of the Company for the ensuing year;
  7. Reviewed and approved the audit plan and scope of work of the External Auditors including its audit emphasis, impact of any new Accounting Standards applicable to the Company, coordination with internal audit, including their related quality control procedures in the audit of the annual financial statements;
  8. Reviewed periodic report of audit activities, investigations and results of audits undertaken by Internal Audit in accordance with the approved plan;
  9. Reviewed and approved Management's request for non-audit service from the External Auditors;
  10. Held separate executive sessions by the non-executive and independent directors with the chief internal auditor and the external auditors without the presence of management to discuss issues;
  11. Obtained Management's reasonable assurance on the status of compliance of the Company with applicable laws and regulations and internal rules and policies of the company; and,
  12. Performed self-assessment and reviewed performance of the Committee vis-à-vis its Charter.
- It also updated the Audit and Risk Oversight Committee Charter which was endorsed to the Corporate Governance Committee, and formally approved by the Board on August 5, 2020.

#### **Related Party Transactions (RPT) Committee**

The Related Party Transaction (RPT) Committee was created as a separate committee on September 19, 2019 to assist the Board in fulfilling its oversight responsibilities in the implementation and review of the Related Party Transaction (RPT) policy of the Company for internal control purposes and in compliance with laws and regulations.

The Committee is composed of three (3) members, all of whom are independent directors. An Independent Director is designated as the Chairman of the Committee and presides over its meetings.

# CORPORATE GOVERNANCE

In 2020, the Related Party Transaction Committee held two (2) meetings. It reviewed and ratified the related party transactions of the Company that are recurring in nature and previously approved by the Board. It also reviewed and endorsed to the Board for approval related party transactions that were below the Material RPT Transaction threshold, such as extension of lease agreement and designation of proxy in the annual stockholders meeting of the associate companies where the Company has minority shareholding equity. It also reviewed and endorsed to the Board for approval established the Related Party Transactions Committee Charter that was formally approved by the Board on August 5, 2020.

## **Corporate Governance, Nomination and Remunerations (CGNR) Committee<sup>1</sup>**

On November 9, 2020, the CGNR Committee is re-structured as Corporate Governance (CG) Committee and a separate Nomination and Remunerations Committee has been created. The reconstituted committee assists the Board in the performance of its corporate governance responsibilities by ensuring compliance with and proper observance of corporate governance principles and practices.

The resulting CG Committee is now comprised of five (5) regular members, three of whom are independent directors, and all approvals decided by the CG Committee requires a majority vote among the independent directors for the motion to be approved.

In 2020, the CGNR Committee held three (3) meetings wherein the Committee performed the following activities:

1. Reviewed the 2019 Integrated Annual Corporate Governance Report (i-ACGR);
2. Reviewed and endorsed to the Board the revised Executive Committee Charter, the revised Audit and Risk Oversight Committee Charter and the new charter for the Related Party Transactions Committees.
3. Reviewed the qualifications of the nominees for election to the Board of Directors during the ASM, including those for independent directors;
4. Approved and endorsed to the Board the list of eligible nominees for election to the Board of Directors;
5. Reviewed the qualifications of nominees for appointment as new independent directors of the Company, and;
6. Conducted the annual Board and Committee performance assessment.
7. Engaged an external facilitator to conduct Corporate Governance Assessment on the Company

The CGNR Committee reviewed the effectiveness of the corporate governance framework through an annual confidential performance evaluation of the effectiveness of the Board, its Committees and the contribution of each director. Factors considered in the performance assessment include regular attendance during meetings, preparedness for meetings, active participation and contribution to board decisions, strategic insights and candid com-

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<sup>1</sup> Amended into Corporate Governance Committee on November 9, 2020

munication, diversity of experience and background of directors, among others.

The Committee is satisfied that all directors carried out their duties adequately and had demonstrated their commitment and availability to attend to the affairs of the Company.

### **Nomination and Remunerations (NR) Committee**

The Committee's role is to support and advise the Board in ensuring that it is comprised of individuals who are best able to discharge the duties and responsibilities of Directors and that the Company has the appropriate nomination and remuneration standards and practices in place. It is responsible for evaluating the qualifications of all candidates nominated for election to the Board of Directors as well as the effectiveness of the processes and procedures for the nomination, election or replacement of a director. Related to this, it oversees the annual performance evaluation of each director.

The Committee also helps identify the senior management skills and expertise required to meet the needs of the Company. The NR is likewise tasked to ensure that a succession plan is in place by reviewing the complex leadership requirements of the Company. The Committee currently is chaired by the Chairman of the board and has three (3) regular members including the lead independent director.

To assist the Board in ensuring that the compensation framework for the organization is aligned to the long-term interests of the Company, the NR Committee also reviews the structure and competitiveness of the Company's employee compensation program. The directors receive reasonable per diem allowances each meeting. There are no

other arrangements in which directors are compensated, or are to be compensated, directly or indirectly, for any other services provided.

### **Internal Audit and Control**

The Company maintains internal controls and systems designed to promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. The effectiveness of these controls and systems are monitored and reviewed by the Company's internal auditor to ensure such internal controls and systems are adequate and function effectively. The Internal Audit Head periodically reports to the Audit and Risk Oversight Committee on the internal audit activities which covers review of risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

In 2020, there were no significant issues noted based on the results of the audit reviews conducted. The Company's external auditors also review the effectiveness of the internal controls related to financial reporting as part of their audit plan for the year. The Board, on a continuing basis, endeavours to further enhance and improve the Company's system of internal controls.

### **Risk Management**

Due to its dynamic business environment, the Company's business activities are exposed to various types of risks and opportunities. The risk management philosophy of the Company is to mitigate the possible adverse outcomes of these risks while maximizing the positive contribution of opportunities in order to secure long term value to our shareholders.

# CORPORATE GOVERNANCE

Risk management is an integral part of the Company's strategic and operational planning, as well as day-to-day management and decision making. The Company is committed to identifying, analyzing, addressing and monitoring various exposures that may impact its business objectives. The Company adopts a bottom-up approach in its risk management process with line management primarily responsible for the identification of risks and the implementation of its control strategies. These activities are regularly reviewed and monitored by supervising committees of the Board such as the Executive Committee as well as the Audit and Risk Oversight Committee.

The Company's operations and financial policies and procedures have been developed with safety and risk management objectives in mind. These are reviewed and updated to address new risks that may arise from time to time. Training programs that emphasize the importance of risk management and the risk responsibilities of personnel at different levels of the organization are held periodically to ensure that sound risk management and safety practices are implemented in day-to-day operations.

As a Company with chemical distribution activities, safety in transport, storage, operational practices and working conditions is a primary focus of its risk management efforts. Developing a strong safety culture is an integral part of the Company's operations. It strictly adheres to all relevant laws, regulations and safety standards that govern its operations. It continuously seeks to improve its processes and enhance its recognition, evaluation and control of hazards.

## **Protection of Shareholder's Rights and Interests**

The Company attaches great importance to the protection of shareholder rights and interests. In line with this, the Company facili-

tates the exercise of their rights by ensuring shareholders have the opportunity to participate effectively in and vote at the Shareholders' Meetings, either in person or by proxy.

To encourage shareholder participation at shareholders' meetings, in consideration of the health and well-being of all attendees, the Board of Directors approved to conduct virtual meetings that allows shareholders to participate and vote through remote communication. Notice of shareholder meetings is communicated to shareholders through the Company website and the PSE Edge Disclosure System. Shareholders are provided with sufficient information in the Information Statement which is sent to them at least 21 days in advance to enable them to make informed decisions on matters submitted for their consideration. Resolutions on each agenda item are tabled separately to enable shareholders to vote for each item and the results of the votes taken are reported during the meeting and made publicly available in the Company's website the day following the meeting. Shareholders are given the opportunity to communicate their views and direct questions to Directors and Senior Management regarding the Company during shareholder meetings and by communicating through the Company's Investor's Relations Office.

Material information such as corporate developments and financial and operational results are timely disclosed to all shareholders via the Philippine Stock Exchange Edge Portal, the Company's website, press releases, annual reports and shareholders' meetings.

The Company has adopted a written policy regarding transactions with related persons where no significant related person transaction shall be consummated or shall continue without the approval or ratification of the Related Party Transactions Committee. The

Related Party Transaction Committee considers all factors it deems relevant and will only approve or ratify those that are in the best interests of the Company and all its stockholders.

## **Stakeholder Relationships**

The Company is committed to building strong relationships with all its stakeholders by promoting trust, proper stewardship and confidence in its integrity.

To ensure that its business is operated responsibly and with integrity, the Company has established a code of conduct that sets out the personal and professional behavior expected from all its members.

- All directors, officers and employees have a duty to always act in, and uphold the best interests of the Company. They shall work under a culture of integrity and excellence and with a sense of accountability, transparency and urgency. They are expected not to use their position in the Company to acquire a benefit or advantage for their own or related interests and shall treat everyone with honesty, courtesy, consideration, friendly spirit of cooperation and mutual respect. Dealings with suppliers and contractors are to be conducted in a professional and objective manner and no director, officer or employee shall engage in any unfair dealing practices nor take undue advantage of customers, suppliers, business partners, competitors and the government through manipulation, concealment or misrepresentation of material facts.
- The Company is committed to promoting the safety, well-being and professional development of its employees and

maintaining a work environment that fosters harmonious, productive working relationships and encourages mutual employee respect. There is zero tolerance for sexual harassment and other actions that violate the basic safety or dignity of an employee.

- The Company promotes a culture of learning and employee involvement and values diversity of opinion and open debate. Conflicts or disputes are addressed through discussion, negotiation, mediation, arbitration and lastly resort to judicial processes. For conflicts of interest, the Conflict of Interests Policy provides for the framework for conflict avoidance and management.
- The Company imposes disciplinary measures on directors, officers and employees whose conduct deviates from those prescribed under the Company policies and guidelines such as but not limited to those provided under the Company's Revised Manual of Corporate Governance 2019, Code of Conduct and Ethics, Employee Handbook, Conflict of Interests Policy and By-Laws and subject to the grievance procedure and requirements prescribed by law.
- Under the Company's Whistleblowing policy, employees are encouraged to confidently raise genuine issues and concerns of serious wrongdoing, improprieties or risks in the conduct of the business of the Company to his service line manager and if there are reservations to raise the matter to service line managers, the concern may be raised either to the Compliance Officer or any of the Independent Director by submitting an incident report. This Policy aims to deter and uncover corrupt, illegal, unethical, fraudulent



# CORPORATE GOVERNANCE

and other conduct detrimental to the interests of the Company.

- The Company has adopted a code of conduct on securities dealing which provides that the Company, its directors and officers undertake not to deal in the Company's securities at any time after a price sensitive development has occurred, or has been subject of a decision, until the price sensitive information has been publicly announced.

## Approach to Sustainability

The Company is committed to ensure the sustainability of its business by managing the environmental, social and governance effects of its strategies and operations in a responsible manner. Its approach to sustainability involves giving importance to customer experience and workplace safety, promoting trade and industry and a risk-focused organization, supporting the development of the communities in which it operates and managing its environmental impact.

- To keep customer loyalty, the Company ensures appropriate sourcing support and suitable products are offered to its customers. It also sees to it that customer complaints are dealt with in a prompt and effective manner. Its sales personnel work closely with customers to better understand and meet their needs and expectations.
- To ensure workplace safety and well-being, the Company employs safety standards and practices that include accident prevention efforts through risk planning and safety training.

- To contribute to the promotion of trade and industry, the Company continuously expands its product range and enhances its various product offerings to help our customers innovate and explore new market opportunities.
- To safeguard the interests of stakeholders, the Company promotes a risk culture where risk management a responsibility of every employee.
- To contribute to the well-being and development of local communities, the Company continues with its long tradition of community service by supporting social projects extending medical care to depressed communities, granting educational assistance to support education of youths with financial need, and supporting community welfare institutions through sponsorships, donations and scholarships.
- To improve the impact of its business on the environment and in the communities where it operates, the Company has been adopting green practices in the its operations like using energy efficient lighting, participating in recycling programs, reducing waste generation and introducing more 'green' products and natural ingredients for customers.

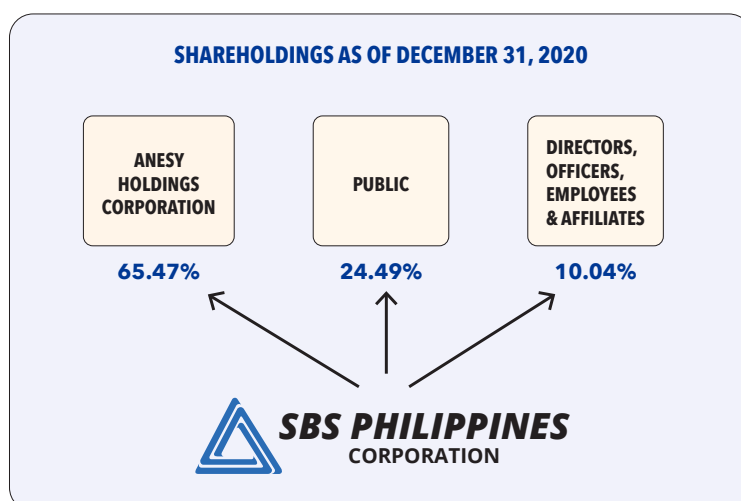
The Company issued its 2020 Annual Sustainability Report following the Securities and Exchange Commission Reporting Template format as Annex A of the 2020 Annual Report SEC Form 17A. A copy of the report is available from the Company's website: [www.sbsph.com](http://www.sbsph.com).



# DISCLOSURE AND TRANSPARENCY

**CHANGES IN DIRECT SHAREHOLDINGS.** *Reported trade in SBS common shares of the directors and officers in 2020.*

NAME	SECURITY	BALANCE AS OF 12/31/2019	ACQUIRED	DISPOSED	BALANCE AS OF 12/31/2020
<b>Board of Directors</b>					
Ricardo Nicanor N. Jacinto	Common	64,583	-	-	64,583
Aylene Y. Sytengco	Common	10,662,441	200,000		10,862,441
Necisto Y. Sytengco II	Common	5,367,629	1,517,000		6,884,629
Gerry D. Tan	Common	32,291	-	-	32,291
Esmeraldo A. Tepace	Common	183,016			183,016
Lali Y. Sytengco	Common	2,991,030			2,991,030
Geocel D. Olanday	Common	1,000	-	-	1,000
Roberto F. Anonas, Jr.	Common	1,241	-	-	1,241
Helen T. De Guzman	Common	1,000	-	-	1,000
<b>Officers</b>					
Christine P. Base	Common	-	-	-	-
Jose Fidel R. Acuña	Common	-	-	-	-
Sabrina Adamelle Poon- Sytengco	Common	-	-	-	-
Aileen Lou G. Codamon	Common	-	-	-	-
Maria Gemma Bien	Common	-	-	-	-



# CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The Sytengco Foundation, Inc. and SBS Group value the opportunity to facilitate assistance to communities directly surrounding its operation centers. The Company commits to proactively extend its helping hand to various sectors involving its stakeholders in their desire to help society and our countrymen improve their lives.

## INVESTING IN EDUCATION

Since 2018, through a Memorandum of Agreement between SBS Philippines Corporation and Mapua University, where SBS has granted scholarship to financially needy and academically deserving Mapua Students, SBS financially supported three students who graduated in the fields of Accountancy, Chemistry and Chemical Engineering. This Agreement is being implemented by their respective CSR arm, the Malayan Colleges Foundation, Inc. and Sytengco Foundation, Inc.



## ASSISTANCE TO HEALTH SECTORS

The Sytengco Foundation responded immediately to the calls for assistance of various sectors in response to Covid-19. Together with the foundation, SBS Corporation donated thousands of N95 masks, disposable surgical masks, gallons of alcohol and face shields to several medical institutions such as The Lung Center of the Philippines and University of the Philippines – Philippine General Hospital (UP-PGH), Ospital ng Maynila (OM), Oriental Mindoro Provincial Hospital, St. Louis Hospital in Tacurong, Suldan Kudarat, Amai Pakpak Medical Center (APMC) in Marawi City, Department of Health Hospital, Sulu Sanitarium to name a few.

SBS Philippines Corporation also extended its helping hand to a local community as it had provided two (2) hand washing units through the Bayawan Water District. This activity was spearheaded to help encourage handwashing to deter the spread of COVID-19 and other virus spread by hand contact on surfaces.

Lastly, to ease the challenges presented by the rapid spread of the virus and process of COVID Testing, the Corporation was able to donate COVID Testing Booths to Fe Del Mundo Medical Center through the office of Dr. Elise Locson, and The Manila Medical Center through the office of Dr. Ed Esequie to further show its solidarity to our current heroes – health workers. Through these donations, the Corporation hopes to boost the morale of the affected individuals especially the health workers as they continue to stand in our battle towards this pandemic.

## FOOD ASSISTANCE TO QUEZON CITY AND MANDALUYONG

We also heeded the calls of vegetable farmers in Northern and Central Luzon such as Nueva Viscaya and Benguet for produce left unpurchased due to stringent travel restrictions employed in April and May 2020. Together with donors, the staff of SBS Group of companies packed a total of 2,855 kilos of fresh vegetable produce in three (3) tranches. These were distributed to families in coordination with the local government and barangay officials of Payatas B and Barangay Bungad, Barangay Holy Spirit in Quezon City, and in Mandaluyong.



## DISASTER ASSISTANCE AND RELIEF PROGRAMS

The Philippines due to its geographic location was hit by history's strongest typhoon named "Rolly" affecting millions Filipinos in Northern and Southern Luzon. Compounded by the quarantine restrictions implemented nationwide, millions of Filipinos were greatly affected. Due to this, the SBS Group of Companies enjoined the rest of the Philippines to further extend help through the distribution of ready to eat food packs and grocery items.

The Group also donated and delivered total of 550 sacks of rice to Quezon City Local Government Unit and 50 sacks of rice to the Manila City Local Government Unit, and grocery and food items to 500 families of Payahan, Molinao Albay in Bicol.



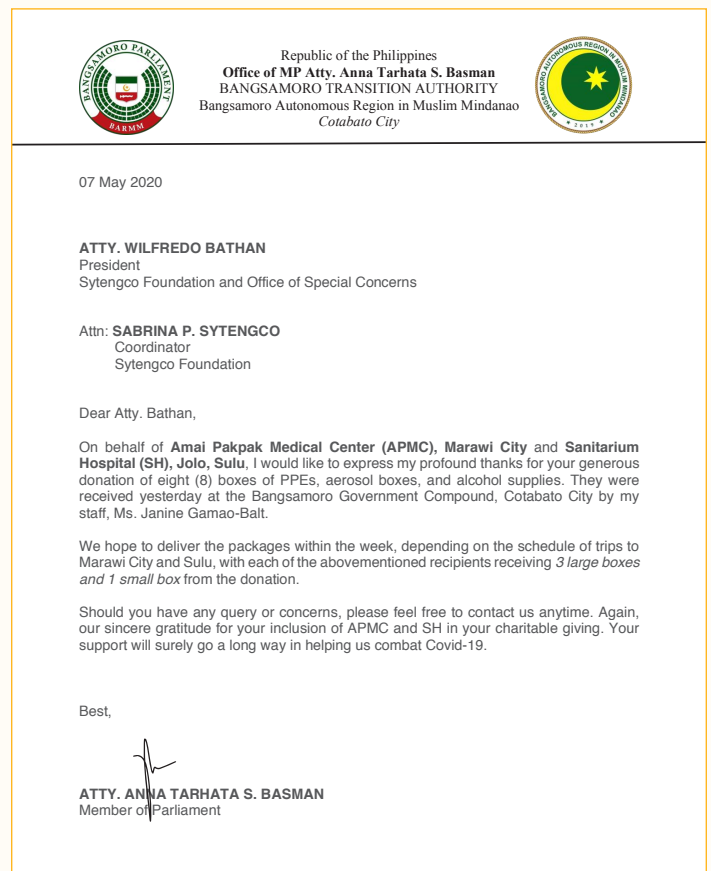


# AWARDS AND RECOGNITION

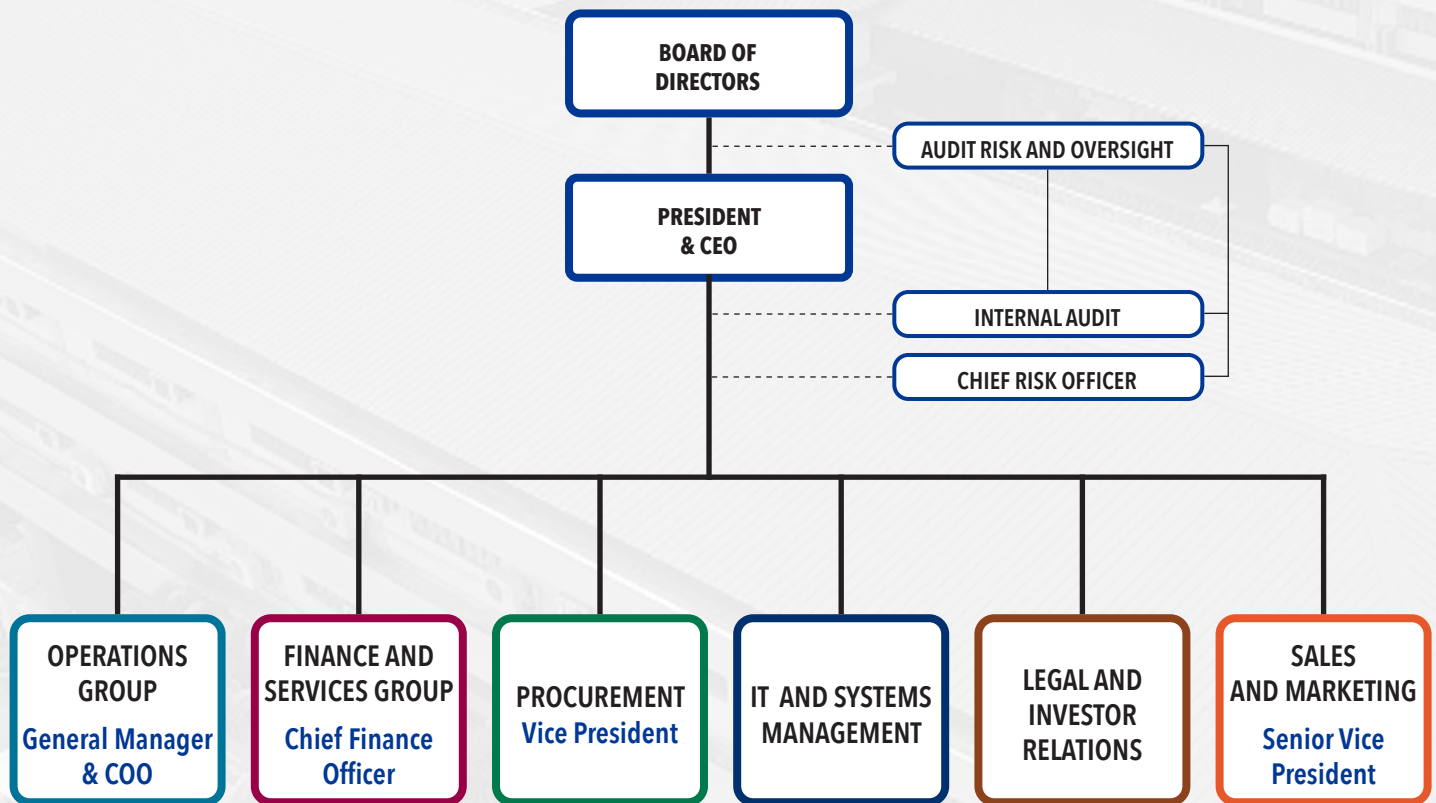


*The efforts of SBS Philippines Corporation to promote good corporate governance and ensure the company's compliance with its key objectives and principles was duly recognized by the Institute of Corporate Directors and its ASEAN Corporate Governance Scorecard, garnering SBS Philippines a Two-Golden Arrow Award.*





# ORGANIZATIONAL CHART



**SBS PHILIPPINES**  
CORPORATION

# CORPORATE DIRECTORY



## BOARD OF DIRECTORS

**Ricardo Nicanor N. Jacinto**  
Chairman

**Aylene Y. Sytengco**  
Vice Chairperson

**Necisto Y. Sytengco II**  
Vice Chairman

**Gerry D. Tan**  
Executive Director

**Esmeraldo A. Tepace**  
Executive Director

**Lali Y. Sytengco**  
Executive Director

**Roberto F. Anonas, Jr.**  
Independent Director

**Geocel D. Olanday**  
Independent Director

**Helen T. de Guzman**  
Independent Director

## EXECUTIVE COMMITTEE

Chairman  
**Gerry D. Tan**

Members  
**Esmeraldo A. Tepace**  
**Aylene Y. Sytengco**  
**Necisto Y. Sytengco II**  
**Lali Y. Sytengco**

## AUDIT & RISK OVERSIGHT COMMITTEE

Chairman  
**Helen T. de Guzman**

Members  
**Roberto F. Anonas, Jr.**  
**Ricardo Nicanor N. Jacinto**  
**Aylene Y. Sytengco**  
**Geocel D. Olanday**

## CORPORATE GOVERNANCE COMMITTEE

Chairman  
**Roberto F. Anonas, Jr.**

Members  
**Geocel D. Olanday**  
**Aylene Y. Sytengco**  
**Necisto Y. Sytengco II**

## NOMINATION AND REMUNERATIONS COMMITTEE

Chairman  
**Ricardo Nicanor N. Jacinto**

Members  
**Helen T. de Guzman**  
**Geocel D. Olanday**  
**Lali Y. Sytengco**  
**Necisto Y. Sytengco II**

## RELATED PARTY TRANSACTIONS COMMITTEE

Chairman  
**Geocel D. Olanday**

Members  
**Helen T. de Guzman**  
**Roberto F. Anonas, Jr.**

## EXECUTIVE OFFICERS

**Gerry D. Tan**  
President & Chief Executive Officer

**Esmeraldo A. Tepace**  
Executive Vice President &  
Chief Operating Officer

**Aylene Y. Sytengco**  
Chief Financial Officer and Treasurer

**Necisto Y. Sytengco II**  
Senior Vice President for Marketing Operations  
& Assistant Treasurer

**Lali Y. Sytengco**  
Vice President for Supply Chain

**Christine P. Base**  
Corporate Secretary

**Sabrina Poon-Sytengco**  
Investor Relations Officer

**Atty. Jose Fidel R. Acuña**  
Corporate Information Officer and  
Compliance Officer

**Aileen Lou G. Codamon**  
AVP - Controller

**Maria Gemma R. Bien**  
Internal Auditor

## STOCK TRANSFER AGENT

**BDO Unibank, Inc. -Trust &  
Investments Group**  
15/F BDO Corp Center South Tower  
7899 Makati Avenue  
Makati City 0726

## INDEPENDENT AUDITORS

**Punongbayan & Araullo**  
19th and 20th Floor, Tower 1  
The Enterprise Center  
Ayala Avenue, Makati City  
Partner in Charge: Mr. Anthony L. Ng

## PRINCIPAL BANKERS

**BDO Unibank, Inc.**  
**China Banking Corporation**  
**Metropolitan Bank and Trust Co.**  
**Security Bank Corporation**

## LISTING AND TRADING SYMBOL

Listed on the Main Board of the Philippine  
Stock Exchange under the stock trading symbol  
"**SBS**"

## INVESTOR RELATIONS & MAILING ADDRESS

**Investors Relations Office**  
SBS Philippines Corporation  
10 Resthaven Street  
San Francisco del Monte  
Quezon City

Tel (02) 8371-1111  
Fax (02) 8371-1288  
Email [ir@sbsph.com](mailto:ir@sbsph.com)  
Website: <http://www.sbsph.com>



