



SBS Philippines Corporation

for the year 2016
SEC Form - ACGR

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is filed for the Year: **2016**
2. Exact Name of Registrant as Specified in its Charter:
SBS Philippines Corporation
3. **10 Resthaven St. San Francisco Del Monte Quezon City** **1105**
Address of Principal Office Postal Code
4. SEC Identification Number: **A200110402** 5.  (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: **213-054-503**
7. Issuer's Telephone number, including area code: **(02) 371-1111**
8. Former name or former address, if changed from the last report: **N/A**

TABLE OF CONTENTS

A. BOARD MATTERS	5
1) BOARD OF DIRECTORS	5
(a) Composition of the Board	5
(b) Corporate Governance Policy/ies	6
(c) Review and Approval of Vision and Mission of the Company	6
(d) Directorship in Other Companies	8
(e) Shareholding in the Company	9
2) CHAIRMAN AND CEO	10
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT & TOP KEY POSITIONS	11
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS	11
5) CHANGES IN THE BOARD OF DIRECTORS	13
6) ORIENTATION AND EDUCATION PROGRAM.....	21
B. CODE OF BUSINESS CONDUCT & ETHICS.....	26
1) POLICIES	26
2) DISSEMINATION OF CODE	28
3) COMPLIANCE WITH CODE	28
4) RELATED PARTY TRANSACTIONS.....	29
(a) Policies and Procedures	29
(b) Conflict of Interest.....	30
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	32
6) ALTERNATIVE DISPUTE RESOLUTION.....	33
C. BOARD MEETINGS & ATTENDANCE.....	33
1) SCHEDULE OF MEETINGS	33
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	34
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	34
4) QUORUM REQUIREMENT.....	34
5) ACCESS TO INFORMATION	34
6) EXTERNAL ADVICE	36
7) CHANGES IN EXISTING POLICIES.....	36
D. REMUNERATION MATTERS.....	38
1) REMUNERATION PROCESS.....	37
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	39
3) AGGREGATE REMUNERATION	40
4) STOCK RIGHTS, OPTIONS AND WARRANTS	40
5) REMUNERATION OF MANAGEMENT.....	42
E. BOARD COMMITTEES... ..	42
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	42
2) COMMITTEE MEMBERS	50
3) CHANGES IN COMMITTEE MEMBERS	53
4) WORK DONE AND ISSUES ADDRESSED	53
5) COMMITTEE PROGRAM	56

F. RISK MANAGEMENT SYSTEM...	58
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM	58
2) RISK POLICY.....	59
3) CONTROL SYSTEM	61
G. INTERNAL AUDIT AND CONTROL.....	66
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	66
2) INTERNAL AUDIT	67
(a) Role, Scope and Internal Audit Function.....	67
(b) Appointment/Removal of Internal Auditor	69
(c) Reporting Relationship with the Audit Committee	69
(d) Resignation, Re-assignment and Reasons	70
(e) Progress against Plans, Issues, Findings and Examination Trends	70
(f) Audit Control Policies and Procedures.....	71
(g) Mechanisms and Safeguards	71
H. ROLE OF STAKEHOLDERS... ..	72
I. DISCLOSURE AND TRANSPARENCY.....	76
J. RIGHTS OF STOCKHOLDERS.....	80
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	80
2) TREATMENT OF MINORITY STOCKHOLDERS.....	96
K. INVESTORS RELATIONS PROGRAM.....	97
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....	100
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....	100
N. INTERNAL BREACHES AND SANCTIONS.....	102

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	9
---	---

Actual number of Directors for the year	9
---	---

(a) Composition of the Board

Complete the table with information on the Board of Directors:

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	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Necisto U. Sytengco	NED	Anesyy Holdings Corp.	Atty. Wilfredo Bathan	2001	June 22, 2016	Annual Meeting	15
Gerry D. Tan	ED	n/a	Atty. Wilfredo Bathan	January 2016	June 22, 2016	Annual Meeting	1
Esmeraldo A. Tepace	ED	n/a	Atty. Wilfredo Bathan	2013	June 22, 2016	Annual Meeting	3
Victorina B. Ladrangan	ED	Anesy Holdings Corp.	Atty. Wilfredo Bathan	2001	June 22, 2016	Annual Meeting	15
Aylene Y. Sytengco	ED	Anesy Holdings Corp	Atty. Wilfredo Bathan	2008	June 22, 2016	Annual Meeting	8
Necisto Y. Sytengco II	ED	Anesy Holdings Corp	Atty. Wilfredo Bathan	2010	June 22, 2016	Annual Meeting	6
Ricardo Nicanor N. Jacinto	NED	n/a	Atty. Wilfredo Bathan	2015	June 22, 2016	Annual Meeting	1
Rosaleo M. Montenegro	ID	n/a	Atty. Wilfredo Bathan	2015	June 22, 2016	Annual Meeting	1

			- No relationship with the nominator				
Lilian S. Linsangan	ID	n/a	Atty. Wilfredo Bathan- - No relationship with the nominator	2015	June 22, 2016	Annual Meeting	1

(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 Company is committed to the practice of effective corporate governance and adheres to the principles of fairness, transparency, integrity and accountability. The Board works closely with management to ensure that the long term interests of the shareholders are responsibly served.

The Company is committed to build strong relationships with its shareholders and other stakeholders by observing proper stewardship practices which will promote trust and confidence in the Company. It is committed to treat all its investors fairly, particularly minority shareholders, and provide them with timely and relevant information in an easily accessible manner.

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

The Board reviews the Company's vision and mission at least once a year and, when necessary, updates it.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group²

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:

²The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

<i>Director's Name</i>	<i>Corporate Name of the Group Company</i>	<i>(Executive, Non-Executive, Independent. Indicate if the director is also the Chairman)</i>
<i>Necisto U. Sytengco</i>	<i>Anesy Holdings Corporation</i>	<i>Non-Executive Director, Chairman</i>
	<i>Ayschester Holdings Corporation</i>	<i>Non-Executive Director, Chairman</i>
	<i>Cleon Phils. Holdings Corporation</i>	<i>Non-Executive Director, Chairman</i>
	<i>I Bonding Holdings Corporation</i>	<i>Non-Executive Director, Chairman</i>
	<i>Lakerfield Phils. Holdings Corporation</i>	<i>Non-Executive Director, Chairman</i>
	<i>SBS Holdings Corporation</i>	<i>Non-Executive Director, Chairman</i>
<i>Gerry D. Tan</i>	<i>SBS Holdings Corporation</i>	<i>Executive Director</i>
<i>Esmeraldo A. Tepace</i>	<i>Cleon Phils. Holdings Corporation</i>	<i>Executive Director</i>
	<i>SBS Holdings Corporation</i>	<i>Executive Director</i>
<i>Victorina B. Ladrangan</i>	<i>Anesy Holdings Corporation</i>	<i>Executive Director</i>
	<i>Ayschester Holdings Corporation</i>	<i>Executive Director</i>
	<i>Lakerfield Phils. Holdings Corporation</i>	<i>Executive Director</i>
	<i>SBS Holdings Corporation</i>	<i>Executive Director</i>
<i>Aylene Y. Sytengco</i>	<i>Anesy Holdings Corporation</i>	<i>Executive Director</i>
	<i>Ayschester Holdings Corporation</i>	<i>Executive Director</i>
	<i>Cleon Phils. Holdings Corporation</i>	<i>Executive Director</i>
	<i>I Bonding Holdings Corporation</i>	<i>Executive Director</i>
	<i>Lakerfield Phils. Holdings Corporation</i>	<i>Executive Director</i>
	<i>SBS Holdings Corporation</i>	<i>Executive Director</i>
<i>Necisto Y. Sytengco, II</i>	<i>Anesy Holdings Corporation</i>	<i>Executive Director</i>
	<i>Ayschester Holdings Corporation</i>	<i>Executive Director</i>
	<i>Cleon Phils. Holdings Corporation</i>	<i>Executive Director</i>
	<i>I Bonding Holdings Corporation</i>	<i>Executive Director</i>
	<i>Lakerfield Phils. Holdings Corporation</i>	<i>Executive Director</i>
	<i>SBS Holdings Corporation</i>	<i>Executive Director</i>

(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.
Ricardo Nicanor Jacinto	Metro Retail Stores Group, Inc.	Independent

(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
Necisto U. Sytengco	Anesy Holdings Corporation	Shareholder, Director & Officer
Aylene Y. Sytengco	Anesy Holdings Corporation	Shareholder, Director & Officer
Necisto Y. Sytengco, II	Anesy Holdings Corporation	Shareholder, Director & Officer

(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:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	A director of the Company is allowed to be a director of a maximum of five (5) public companies to ensure adequate time and attention in given to the fulfillment of their role and responsibilities as a director of the Company. With regard to appointments in other non-listed companies, the President & Chief Executive Officer and other executive directors submit themselves to a low indicative limit on Board appointments in other non-Group companies.	
Non-Executive Director		
CEO		

(e) *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: (As of December 31, 2016)

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name)	% of Capital Stock
Necisto U Sytengco	42,254,600	433,347,535 ^a	39.81%
Gerry D. Tan	25,000		0
Esmeraldo A. Tepace	180,400		0.02%
Victorina B. Ladrangan	772,000		0.06%
Aylene Sytengco	7,800,700	60,949,700 ^b	5.76%
Necisto Y. Sytengco, II	4,075,000	15,000,000 ^c	1.6%
Ricardo Nicanor N. Jacinto	50,000		0
Rosaleo M. Montenegro	50,001		0
Lilian S. Linsangan	50,001		0
TOTAL	55,257,702		47.25%^d

^a Held by members of director's immediate family sharing the same household and held by corporations of which the director is a controlling shareholder (Anesy Holdings Corporation and Swan Insurance Agency Corporation)

^b Held by members of director's immediate family sharing the same household and held by a corporation of which the director is a controlling shareholder (Bluepalms Phils. Corp)

^c Held by members of director's immediate family sharing the same household and held by a corporation of which the director is a controlling shareholder (Aveluz Holdings Corporaion)

^d Includes cross-holdings of director family members sharing the same household

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	Necisto U. Sytengco
CEO/President	Gerry D. Tan

- (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	In addition to his duties and responsibilities under the By-Laws, the Chairman of the Board shall also: a. Ensure that the meetings of the Board are held in accordance with the By-Laws; b. Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary; and c. Maintain qualitative and timely lines of communication and information between the Board and Management.	In addition to his duties and responsibilities under the By-Laws as President of the Corporation, the CEO shall also: 1. Have general supervision of the business, activities, and assets of the Company, and over its employees and officers; 2. Ensure the implementation of all orders and resolutions of the Board of Directors; 3. Report to the Board from time to time on matters known by the CEO where interest of the Company may require to be brought to their notice.
Accountabilities		
Deliverables		

		<p>4. Submit to the Board after the close of the year, and to the stockholders at the annual meeting, a complete report of the operations of the Company for the preceding year, and the state of its affairs.</p> <p>5. Recommends the yearly budget for Board approval in line with the Company's strategic direction.</p>
--	--	--

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

The Nomination Committee of the Board reviews and evaluates the qualifications of all persons nominated for appointment to the Board of Directors as well as key management positions which includes the President & CEO in the Company. The Committee shall consider in their evaluation the level of skills, knowledge and experience of the candidate in relation to the duties and responsibilities of the position/s under consideration. The nominee then is endorsed by the Nomination Committee to the Board of Directors for approval.

The Board annually reviews and approves the succession plans for the Chairman, directors, CEO/Managing Director/President and the other key management positions based on the recommendations of the Nomination Committee and other factors that the Board may deem proper and relevant.

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 Nomination and Corporate Governance Committee is responsible for reviewing the Board's composition and effectiveness. In doing so, it considers a mix of specialized competencies in business management, accounting and finance, corporate governance and risk management as well as gender and age.

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, Mr. Necisto U. Sytengco, Chairman and a Non-executive director has over 40 years' experience in the chemical trading business and has been responsible for shaping the Company strategy and leading the growth of the Company

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

	Executive	Non-Executive	Independent Director
Role	<i>Unlike executive directors, non-executive directors do not form part of the executive management team and are not directly involved in the day to day operations of the Company. However they both have the following roles and responsibilities:</i>		<i>Perform the same roles and deliverables as those of the executive and non-executive directors. In addition, independent directors serve as chairs of the Audit and Risk Management Committee, Nomination and Corporate Governance Committee, Remuneration and Compensation Committee of the Company They also review the effectiveness of internal controls and systems and the terms of related party transactions to ensure that their fairness and will not be to the prejudice of minority shareholders</i>
Deliverables	<ul style="list-style-type: none"> (i) To conduct fair business transactions with the Corporation and ensure that personal interests do not conflict with Corporation's interest; (ii) To devote time and attention necessary to properly discharge his duties and responsibilities; (iii) To act judiciously; (iv) To exercise independent judgment; (v) To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies; and (vi) To observe confidentiality 		
Accountabilities	<ul style="list-style-type: none"> (i) The Board as a whole and each director individually is accountable for the profitability and long-term sustainability of the Company. They must likewise engage both shareholders and stakeholders in a meaningful manner to help them understand the Company's goals and objectives. They should also ensure that, at a minimum, the Company complies with all relevant laws and regulations as they govern its operations. Last but not least, they should strictly observe and model behavior in accordance with the Company's codes of ethics and governance. (ii) Any director who is engaged in any business which competes with or is antagonistic or harmful to the business of the Corporation, its subsidiaries and affiliates, or has serious conflict of interest which adversely affects the business of the Corporation, its subsidiaries and affiliates shall be removed from the Board and permanently disqualified to be elected to the Board. (iii) Any director who refuses to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations shall be subject to temporary disqualification as long as the refusal persists. 		

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

The Company observes and complies with the standards prescribed by the Securities Regulation Code and set by Securities and Exchange Commission and the Philippine Stock Exchange on the "independence" qualifications of Independent Directors of the Company. Independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to; materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any corporation.

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 observes and complies with the maximum term limit for independent directors as prescribed under rules and regulations of the Securities and Exchange Commission. A director who has served as independent director of the Company for a maximum period of 9 years will no longer qualify for election as an independent director of the Company but may be nominated for election to the Board as a non-executive or executive director thereafter to contribute to the Board's effectiveness.

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

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Atty. Edwin R. Abella	NED	January 29,2016	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:

<i>Procedure</i>	<i>Process Adopted</i>	<i>Criteria</i>
<i>a. Selection/Appointment</i>		
<i>(i) Executive Directors</i>	<p>Shareholders may submit written nominations for election to the Board of Directors to the Company before the date of the Annual General Meeting of the Shareholders.</p> <p>Persons nominated for appointment/election as director of the Company are required to submit under oath a disclosure statement to confirm the existence or non-existence of any of the grounds for disqualifications for directorship appointment pursuant to the Corporation Code, Securities Regulation Code and other relevant laws and regulations, including the By-laws of the Company for evaluation of the Nomination & Corporate Governance Committee.</p>	<p>In addition to the qualifications provided in the Corporation Code, Securities Regulation Code and other relevant laws and regulations, a Director shall also possess the following qualifications:</p> <ul style="list-style-type: none"> A. At least twenty one (21) years old; B. College graduate or sufficiently experienced in managing the business to substitute for such formal education; C. Relevant experience and credentials such as previous business experience in the corporation, membership in good standing in relevant industry and membership in business or professional organizations; D. Practical understanding of the business of the Corporation; E. He shall have proven to possess integrity and probity; and F. Able to conduct fair business transactions with the Corporation and devote the
<i>(ii) Non-Executive Directors</i>	<p>The Nomination and Corporate Governance Committee shall lead the screening process for nominations for election to the Board of Directors.</p> <p>It shall review and evaluate the qualifications of all persons nominated for election to determine whether their professional experience and character can add value to the Board by complimenting and/or addressing gaps in its current skill set. The Committee likewise ensures that the Board of Directors in accordance with the requirements of the Corporation's ByLaws, Manual of Corporate Governance and applicable legal, regulatory and listing requirements.</p> <p>It shall identify, approve</p>	

	and recommend to the Board of Directors and shareholders the list of eligible nominees to be elected as members of the Board of Directors.	<p>necessary time and attention to properly and effectively perform his duties and responsibilities as director</p> <p>G. He shall be assiduous.</p> <p>H. Able to act judiciously and exercise independent judgment;</p> <p>I. Has none of the director disqualifications prescribed under the By-Laws, Corporation Code, Securities Regulations Code and its implementing rules, SEC Code of Corporate Governance and such other applicable laws and regulations,</p>
b. Re-appointment		
(i) Executive Directors	Same as above	
(ii) Non-Executive		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	Persons nominated for appointment/election as director of the Company are required to submit under oath a disclosure statement to confirm the existence or non-existence of any of the grounds for disqualifications for directorship appointment pursuant to	a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) arises out of the person’s conduct as an
(ii) Non-Executive		
(iii) Independent Directors		

	<p>the Corporation Code, Securities Regulation Code and other relevant laws and regulations, including the By-laws of the Company for evaluation of the Nomination & Corporate Governance Committee.</p> <p>The Nomination and Corporate Governance Committee shall lead the screening process for nominations for election to the Board of Directors. It shall review and evaluate the qualifications of all persons nominated for election to the Board of Directors in accordance with the requirements of the Corporation's ByLaws, Manual of Corporate Governance and applicable legal, regulatory and listing requirements. It shall identify, approve and recommend to the Board of Directors and shareholders the list of eligible nominees to be elected as members of the Board of Directors.</p> <p>If found to be ineligible for election to the Board of Directors, the Nomination and Corporate Governance Committee shall inform the shareholder making the nomination and the nominee of the grounds for disqualification and non-acceptance of the nomination.</p>	<p>underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall</p>
--	---	---

		<p>also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporate Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>c. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>d. Any person who has been adjudged by final judgment or order of the</p>
--	--	--

		<p>SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order;</p> <p>e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the Corporation;</p> <p>f. Any person judicially declared as insolvent;</p> <p>g. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (e) above;</p> <p>h. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment; and</p> <p>i. Any person who is</p>
--	--	--

		engaged in any business which competes with or is antagonistic or harmful to the business of the Corporation, its subsidiaries and affiliates, or where such person is serving as a director, will suffer a serious conflict of interest which adversely affects the business of the Corporation, its subsidiaries and affiliates
d. Temporary Disqualification		
<i>(i) Executive Directors</i>	When a ground for director disqualification exists, the Compliance Officer shall, through notice and hearing, conduct an investigation on the matter and request the concerned director to answer the allegation. After which, the Compliance Officer shall review and evaluate the case for disqualification in accordance with the requirements of the Corporation's By Laws, Manual of Corporate Governance and applicable legal, regulatory and listing requirements and recommend to the Chairman of the Board for action of the Board any remedial or corrective action to be required. If the concerned director refuses or fails to take the appropriate action to remedy or correct the disqualification for unjustified reasons within 60 days from date of such disqualification, the Board may consider the	A director may be temporarily disqualified for any of the following reasons: a. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists. b. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election. c. Dismissal or termination for cause as
<i>(ii) Non-Executive Directors</i>		
<i>(iii) Independent Directors</i>		

	temporary disqualification to become permanent.	<p>a director of any public or listed corporation. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>d. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. However, the disqualified independent director may run for election as a regular director provided there is a vacancy in the Board.</p> <p>e. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p>
e. Removal		
<i>(i) Executive Directors</i>	Any director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock; Provided, That such removal shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such	Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled.
<i>(ii) Non-Executive Directors</i>		
<i>(iii) Independent Directors</i>		

	removal at the meeting.. Removal may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right of representation to which they may be entitled.	
f. Re-instatement		
(i) Executive Directors	A temporarily disqualified director who have taken appropriate action to remedy or correct the disqualification within sixty (60) business days from such disqualification, shall be eligible for reinstatement as director.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	A director who is found guilty of violating the Company’s Manual of Corporate Governance, Conflict of Interests Policy, and Code of Business Conduct and Ethics, may be suspended from office, after due notice and hearing.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

<i>Name of Director</i>	<i>Votes Received</i>
Necisto U Sytengco	1,029,821,003 (85.82%)
Gerry D. Tan	1,029,821,003 (85.82%)
Esmeraldo A. Tepace	1,029,821,003 (85.82%)
Victorina B. Ladrangan	1,029,821,003 (85.82%)
Aylene Sytengco	1,029,821,003 (85.82%)
Necisto Y. Sytengco II	1,029,821,003 (85.82%)
Richard Nicanor N. Jacinto	1,029,821,003 (85.82%)
Rosaleo M. Montenegro	1,029,821,003 (85.82%)
Lilian S. Linsangan	1,029,821,003 (85.82%)

6) Orientation and Education Program

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

New directors go through an orientation program whereby they are briefed by the Corporate Secretary on the Company's Articles of Incorporation and By-laws, their obligations as directors, the Company's governance practices, and the statutory and regulatory requirements applicable to the business. They are also briefed by Management on the Company's businesses and operations, which include a tour of the logistics facilities of the Company.

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

Seminar	Name of Attendees	Provider	Date
<i>Distinguished Corporate Governance Speaker Series</i>	<i>Victorina B. Ladrangan</i>	<i>Institute of Corporate Governance</i>	<i>November 20, 2014</i>
<i>Corporate Governance Orientation Program</i> a) <i>Corporate Governance Updates and Best Practices</i> b) <i>Risk Oversight Committee of the Board Audit Committee of the Board</i>	<i>Mr. Necisto U. Sytengco</i> <i>Mr. Necisto Y. Sytengco II</i> <i>Ms. Aylene Y. Sytengco Mr. Esmeraldo A. Tepace Ms. Lilian S. Linsangan</i> <i>Ms. Lali Y. Sytengco</i> <i>Atty. Regina Simona B. De Guzman</i> <i>Ms. Jennifer B. Balao</i>	<i>Institute of Corporate Directors</i>	<i>April 25, 2015</i>
<i>Corporate Governance Orientation Program</i>	<i>Rosaleo M. Montenegro</i>	<i>Institute of Corporate Directors</i>	<i>August 27, 2015</i>
<i>SEC-PSE Corporate Governance Forum</i>	<i>Aylene Y. Sytengco</i> <i>Regina Simona B. De Guzman</i>	<i>Securities and Exchange Commission</i>	<i>October 15, 2015</i>
<i>2015 ASEAN Corporate Governance Conference</i>	<i>Ricardo Nicanor Jacinto</i>	<i>ASEAN Corporate Governance</i>	<i>November 14, 2015</i>
<i>Journey towards Competitiveness, Growth and Profitability: A Business Coaching Session</i>	<i>Mr. Necisto U. Sytengco</i> <i>Mr. Gerry D. Tan</i> <i>Ms. Victorina B. Ladrangan</i> <i>Mr. Necisto Y. Sytengco II</i> <i>Ms. Aylene Y. Sytengco Mr. Esmeraldo A. Tepace</i> <i>Ms. Lali Y. Sytengco</i> <i>Mr. Ned Bryan Y. Sytengco</i> <i>Atty. Regina Simona B. De Guzman</i> <i>Ms. Jennifer B. Balao</i> <i>Mr. Emerson P. Paulino</i>	<i>Guthrie-Jensen</i>	<i>March 18-20, 2016</i>

<p><i>Distinguished Corporate Governance Speaker Series</i></p> <p>a) <i>Corporate Governance Update</i></p> <p>c) <i>Anti- Corruption Practices Environment, Social & Governance</i></p> <p>d) <i>Creating a Culture of Innovation</i></p> <p>e) <i>Fraud, Whistleblowing, Anti-Bribery, & Anti-Corruption Process</i></p>	<p><i>Mr. Esmer A. Tepace</i> <i>Ms. Victorina B. Ladrangan</i> <i>Ms. Aylene Y. Sytengco</i> <i>Mr. Necisto Y. Sytengco II</i> <i>Ms. Lali Y. Sytengco</i> <i>Mr. Ned Bryan Y. Sytengco</i> <i>Atty. Regina Simona B. De Guzman</i> <i>Ms Jennifer B. Balao</i></p>	<p><i>Institute of Corporate Directors</i></p>	<p><i>June 9, 2016</i></p>
<p><i>Corporate Governance Orientation Program</i></p> <p>a) <i>Introduction to Corporate Governance and Best Practices</i></p> <p>b) <i>The Risk Oversight Committee of the Board</i></p> <p>c) <i>The Audit Committee of the Board</i></p> <p>d) <i>Corporate Governance Committee and Other Related Topics</i></p>	<p><i>Mr. Gerry D. Tan</i> <i>Mr. Emerson P. Paulino</i></p>	<p><i>Institute of Corporate Directors</i></p>	<p><i>June 14, 2016</i></p>

<i>Distinguished Corporate Governance Speaker Series</i>	<i>Ms. Victorina B. Ladrangan</i> <i>Mr. Rosaleo Montenegro</i>	<i>Institute of Corporate Directors</i>	<i>October 7, 2016</i>
<i>NUS-Chicago Booth Emerging CFOs for Asia Programme 2016</i>	<i>Ms. Aylene Y. Sytengco</i>	<i>National University of Singapore Business School</i>	<i>October 31 - November 4, 2016</i>

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

<i>Name of Director/Officer</i>	<i>Date of Training</i>	<i>Program</i>	<i>Name of Training Institution</i>
<i>Esmeraldo A. Tepace</i>	<i>June 9, 2016</i>	<i>Distinguished Corporate Governance Speaker Series</i> <ul style="list-style-type: none"> <i>Corporate Governance Update</i> <i>Anti-Corruption Practices</i> <i>Environment, Social & Governance</i> <i>Creating a Culture of Innovation</i> <i>Fraud, Whistleblowing, Anti-Bribery, & Anti-Corruption Process</i> 	<i>Institute of Corporate Directors</i>
<i>Victorina B. Ladrangan</i>			
<i>Aylene Y. Sytengco</i>			
<i>Necisto Y. Sytengco, II</i>			

<i>Gerry D. Tan</i>	<i>June 14, 2016</i>	<i>Corporate Governance Orientation Program</i> <ul style="list-style-type: none"> <i>• Introduction to Corporate Governance and Best Practices</i> <i>• The Risk Oversight Committee of the Board</i> <i>• The Audit Committee of the Board</i> <i>Corporate Governance Committee and Other Related Topics</i>	<i>Institute of Corporate Directors</i>
<i>Ricardo Nicanor Jacinto</i>	<i>August 3, 2016</i>	<i>SEC-PSE Corporate Governance Forum</i>	<i>Security and Exchange Commission</i>
<i>Victorina B. Ladrangan</i>	<i>October 7, 2016</i>	<i>Distinguished Corporate Governance Speaker Series</i>	<i>Institute of Corporate Directors</i>
<i>Rosaleo M. Montenegro</i>			
<i>Lilian S. Linsangan</i>	<i>November 23, 2016</i>	<i>Corporate Governance Orientation Program</i>	<i>Institute of Corporate Directors</i>
<i>Necisto U. Sytengco</i>	<i>December 9, 2016</i>	<i>Corporate Governance Seminar</i> <ul style="list-style-type: none"> <i>• Introduction to Fraud Awareness</i> 	<i>SGV</i>

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
<i>(a) Conflict of Interest</i>	<p>All directors, officers and employees have a duty to always act in, and uphold the best interests of the Company. The directors, officers and employees of the Company are expected not to use their position in the Company to acquire a benefit or advantage for their own or related interests. To protect the interests of the Company and avoid conflicts of interests, directors, officers and employees are required to disclose actual or potential conflict of interest situations. If a conflict of interest is established, he/she will not be allowed to participate in any discussion or negotiation for the transaction except to respond to information requests. If the person with a conflict of interest is with decision making authority, he or she shall refrain from voting or participating in the decision with respect to the conflict of interest transaction.</p>		
<i>(b) Conduct of Business and Fair Dealings</i>	<p>The Company is committed to conduct its business in a responsible and ethical manner. Actions which may reflect unfavorably on their position as director, officer or employee of the Company are to be avoided. Directors, officers and employees of the Company shall treat everyone with honesty, courtesy, consideration, friendly spirit of cooperation and mutual respect. Dealings with suppliers and contractors shall 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.</p>		
<i>(c) Receipt of gifts from third parties</i>	<p>Directors, officers and employees shall not accept gifts, favors or loans from persons or firms supplying or seeking to supply goods and services to the Company except for non-monetary gifts of small value that could not be refused without discourtesy and which will not give rise to the perception of favoritism or partiality towards such supplier.</p>		

<i>(d) Compliance with Laws & Regulations</i>	Directors, officers and employees of the Company shall conduct business in accordance with Philippine laws and regulations, and abide with the policies of the Company and observe its rules and regulations. Importantly, the Company adheres to the laws, regulations and standards that govern its operations.
<i>(e) Respect for Trade Secrets/Use of Non-public Information</i>	Unless with the prior approval of the Board of Directors or Management, no director, officer or employee shall divulge to any other person, other than the relevant employee, officer, director or shareholder of the Corporation, on a need to know basis, trade secrets and confidential information concerning the Corporation, to include but shall not be limited to its financial information, supply and procurement information, marketing and customer information, stockholder, management and personnel information, its manner of operation, corporate plans and projects, business processes and corporate schemes, or data of any kind or character which is acquired, learned or received during one's employment with the Corporation.
<i>(f) Use of Company Funds, Assets and Information</i>	Directors, officers and employees shall properly, responsibly and efficiently use Company assets and resources and shall take the necessary due care to safeguard such properties and prevent any unauthorized use thereof. Such assets and resources of the Company shall be used for legitimate business purposes only and will not be used or disposed of for private or personal gain of the director, officer or employee. Directors, officers and employees shall see to it that the integrity of the Company's documents and records are preserved and the necessary safety measures are undertaken to prevent its unauthorized or improper alteration, forgery, concealment and destruction.
<i>(g) Employment & Labor Laws & Policies</i>	Directors, officers and employees of the Company shall work under a culture of integrity and excellence and with a sense of accountability, transparency and urgency. The Company adheres and complies with the labor laws, regulations and standards pertaining to its personnel and its business operations. 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 employee.

<i>(h) Disciplinary action</i>	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 Manual of Corporate Governance, 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.
<i>(i) Whistle Blower</i>	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. Identities of employees who have raised concerns will be held in confidence unless otherwise agreed to protect the employee from victimization, harassment or disciplinary action as a result of any disclosure of impropriety where the disclosure is made in good faith and not made maliciously or for personal gain. This Policy aims to deter and uncover corrupt, illegal, unethical, fraudulent and other conduct detrimental to the interests of the Company.
<i>(j) Conflict Resolution</i>	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

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

Yes. Copies of the Code were provided to the Board in May 2015 and thereafter disseminated to the Management and the employees and posted in the Company's website

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

All directors, officers and employees of the Company are expected to observe and comply with the standards of conduct set out in the Company's Code of Business Conduct and Ethics (the "Code") and have a duty to report any non-compliance with Code to the Human Resources Department Management in coordination with the Department Head and the Human Resources Department is responsible for enforcing and monitoring compliance with the Code in their respective departments and violations subject the employee, officer or director concerned to the disciplinary action/sanctions after notice and hearing. Certain

employees were terminated in 2016 on account of breach of the fiduciary duties. Certain employees were found in violation of the Code of Business Conduct and Ethics as well as the Company's rules and regulation and were subject to disciplinary measures and legal action.

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.

<i>Related Party Transactions</i>	<i>Policies and Procedures</i>
1) <i>Parent Company</i>	It is the policy of the Company that transactions between the Company and any of its directors, officers, significant shareholders (beneficial share ownership of more than 10%), or certain entities or persons related to them ("Related Parties") will be on terms no less favorable to the Company than those entered into with unrelated parties under same or similar circumstances and will not be prejudicial to the Company's minority shareholders.
2) <i>Joint Ventures</i>	
3) <i>Subsidiaries</i>	
4) <i>Entities Under Common Control</i>	
5) <i>Substantial Stockholders</i>	
6) <i>Officers including spouse/children/siblings/parents</i>	The Company, in the regular course of business, engages in transactions with its affiliates and other
7) <i>Directors including spouse/children/siblings/parents</i>	

<p>8) <i>Interlocking director relationship of Board of Directors</i></p>	<p>related parties, principally in the form of reimbursement of expenses, leasing, management and administrative service agreements.</p> <p>Related party transactions are subject to the regular and periodic review of the Audit and Risk Management Committee of the Company, which is comprised by a majority of non-executive directors, two of whom are independent directors. The review covers new, existing or proposed related party transactions and involves examination of the nature and terms of the transaction to determine whether or not the particular related party transaction is on terms no less favorable to the Company than terms generally available to unrelated parties under the same or similar circumstances. The Committee considers all relevant factors that are in the best interest of the Company and its shareholders.</p> <p>Material related party transactions, other than recurrent related party transactions of revenue or trading nature or those necessary for its day-to-day operations but not in respect of the purchase or sale of assets, businesses or investments which are in the ordinary course of business, are subject to the approval and/or ratification of the Audit and Risk Management Committee.</p> <p>The Company complies with Section 32 and 33 of the Corporation Code with regard to related party transactions involving its directors, officers and affiliates.</p>
---	---

(b) Conflict of Interest

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

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

Directors/Officers/Significant Shareholders	Details of Conflict of Interest (Actual or Probable)
Necisto U. Sytengco	The Sytengco family has controlling interests and interlocking directorships in affiliate companies which are engaged in transactions with the Company. These related party transactions involve the lease of warehouses and office space, reimbursement of expenses, management and administrative services under a resource sharing arrangement.
Aylene Y. Sytengco	
Necisto Y. Sytengco, II	
Lali Y, Sytengco	
Ned Bryan Y. Sytengco	
The above directors and officers are immediate family member ("Sytengco Family") who collectively own the controlling interest in affiliate companies	

(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
<i>Company</i>	<p>Under the Company's Code of Conduct and Ethics, directors, officers and employees shall not use their position in the Company to acquire a benefit or advantage for their own interest or those related to them to the prejudice of the Company. As some conflict of interest may arise in the normal course of conducting the business of the Company, the following procedures are adopted by the Company for conflict avoidance and management:</p> <p>(a) Directors, officers and employees are required to disclose of all actual or potential conflict of <i>interest situations</i> and shall complete a situation and shall complete a Conflict of Interest Disclosure Statement which shall describe the nature of conflict of interest situation. This shall be made on an annual basis and filed every January of each year. In addition, there is a continuing duty to disclose any conflict of interest that arises during the year.</p> <p>(b) The Compliance Officer will review the disclosure statements of employees, officers and directors. If a conflict of interest is established, the employee concerned will not be allowed to participate in any discussion or negotiation for the transaction except to respond to information requests. If the person</p>

	<p>with a conflict of interest is with decision-making authority (i.e., an officer or a senior personnel), he or she shall refrain from voting or participating in the decision with respect to the conflict of interest transaction, and the next level approving authority shall consider and act on the proposed transaction. In case of a Director that has an interest or is perceive to have a potential conflict of interest, he or she shall refrain from voting and participating in the Board decision with respect to the conflict of interest transaction.</p> <p>(c) It shall be the responsibility of the approving authority to determine the nature and gravity of the conflict situation and record the facts and supporting analysis used in determining whether no material conflict of interest exists and/or the proposed transaction is deemed fair and reasonable and not inimical to the interest of the Foundation. In case the conflict is material enough to be of practical significance, comparable market data shall be compiled to determine the fairness of the transaction and appropriateness of the transaction terms. Should the transaction be established as prejudicial to the interest of the Company, alternative transactions with no conflict shall be explored.</p>
--	---

5) *Family, Commercial and Contractual Relations*

(a) *Indicate, if applicable, any relation of a family,⁴ 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:*

<i>Names of Related Significant Shareholders</i>	<i>Type of Relationship</i>	<i>Brief Description of the Relationship</i>
Anesy Holdings Corporation c/o PCD Nominee Corporation	Parent Company	Anesy Holdings Corporation is controlled by the family of Mr. Necisto U. Sytengco who are directors and officers of the company.

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

(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
Anesy Holdings Corporation c/o PCD Nominee Corporation	Parent Company	Anesy Holdings Corporation is controlled by the family of Mr. Necisto U. Sytengco who are directors and officers of the company.

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

(d)

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
NONE	NONE	NONE

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
Corporation & Stockholders	In the case of disputes or differences, the Company would essentially resort to mutual consultations, negotiations and mediation to resolve the dispute.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

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

Regular board meetings are scheduled before the start of the year, while special board meetings are scheduled on as needed basis.

2) *Attendance of Directors*

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Necisto U. Sytengco	22 June 2016	14	14	100
Member	Gerry D. Tan	22 June 2016	14	14	100
Member	Esmeraldo A. Tepace	22 June 2016	14	12	86
Member	Victorina B. Ladrangan	22 June 2016	14	11	79
Member	Aylene Sytengco	22 June 2016	14	14	100
Member	Necisto Y. Sytengco II	22 June 2016	14	14	100
Member	Ricardo Nicanor N. Jacinto	22 June 2016	14	14	100
Independent Director	Rosaleo M. Montenegro	22 June 2016	14	11	79
Independent Director	Lilian S. Linsangan	22 June 2016	14	9	64

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

Yes, twice in 2016.

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

No. The Company observes and complies with the quorum requirement provided under the Corporation Code which requires a majority of the number of directors as fixed in the articles of incorporation to constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors or trustees present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the board.

5) *Access to Information*

How many days in advance are board papers⁵ for board of directors meetings provided to the board?

⁵ 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,

The Board papers of the meetings of the Board of Directors and its Committees are generally provided to the directors at least five (5) calendar days before the scheduled date of meeting.

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

Yes. The Directors are at liberty to contact the Corporate Secretary and any of the members of the management team in connection with the discharge of their duties as members of the Board of Directors of the Company.

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

The Corporate Secretary of the Company has the following key responsibilities, among others:

- a. Manage the process for the meetings of the Shareholders, the Board and its committee, assist in setting of agenda for the meeting, record the minutes thereof and facilitate Board communications;
- b. Advise the Board of its role and responsibilities, facilitate orientation of new directors and continuing education of directors by keeping the Board updated on changes in the laws and regulations affecting the business of the Company and its governance process; and
- c. Assist the Board in their training and development in the proper exercise of their fiduciary duties and tailoring its governance practices to meet needs of the Board in accordance with the standards set by law and regulations.

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

In 2016, the Corporate Secretary holds LIB. and Business Economics degree and has held various corporate secretary positions in public and private corporations in Philippines and abroad.

- (d) 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:

Committee	Details of the procedures
Executive	<p>The Directors have full access to all books, records, facilities and personnel of the Company in the discharge of their role. The notice of each meeting together with the agenda and its supporting papers are forwarded to each Committee member in advance of the scheduled meeting date.</p> <p>If additional information or clarification will be required, the Director can either request from the Chairman, the Corporate Secretary, and other members of Management to be provided with additional information or explanations.</p>
Audit and Risk Management	
Nomination and Corporate Governance	
Remuneration	
Others (specify)	

6) External Advice

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

The Board and its Committees have the authority to retain, at the Company's expense, such outside advisors, including legal counsel or other experts, as it deems appropriate, necessary in the discharge of their responsibilities and to approve the fees and expenses of such advisors.

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:

In May 2016, the Board of Directors approved the variation in, and extension of timeframe for, the utilization of the remaining unutilized balance of the IPO proceeds as follows:

- a. P350.0 million initially allocated and earmarked for the acquisition of a real estate property located in Muntinlupa City were redeployed and reallocated instead to fund strategic acquisitions. The project for the acquisition of the industrial property located at Brgy. Tunasan Muntinlupa City originally intended as the new warehouse depot site has been reconsidered in light of the residential communities being developed alongside the proposed warehouse location site and the likely locational conflicts and zoning issues resulting from such change in land use.

The Company's Directors and Management are of the belief it is in the best interests of the Company and its shareholders that the IPO proceeds should instead be channeled to further its strategy to grow its business through synergistic

acquisitions that will enhance the Company's product offerings and servicing capabilities. The redeployment of such financial resources to pursue potential business-building acquisitions is to move in step with the strategic goal of the Company grow its principal business and expand of its chemical operations via acquisition, and/or investments in allied chemical businesses, as and when such opportunity arises. It will also allow the Company to continue with its asset-light approach to its chemical business operations.

The Directors consider it to be in the best interests of the Company to allocate potential acquisition finance in advance of such opportunities reaching the stage of negotiations in order to be able to pursue such acquisition strategy credibly and with a realistic chance of success in a competitive environment. The Company will be reviewing acquisition opportunities and anticipates to close such project during the period 2016-2018. As at the date of this letter, no agreement, arrangement or understanding has been reached with respect to any such acquisition. The Company has no immediate and definite plans to use the new allocations of the IPO proceeds for acquisitions at this juncture.

- b. P100.0 million initially allocated and earmarked for the construction of the new Muntinlupa warehouse facilities were also redeployed and reallocated instead to fund the setting up of value added services and/or construction of such facilities to enhance and increase the Company's value-added services. These additional business-building activities will widen opportunities to broaden availability and distribution of specialty products of the Company. The Company expects to undertake these project during the period 2016-2017.
- c. P103,969,248.00 initially allocated and earmarked to fund specific capital expenditures as detailed in the Company's Prospectus dated 24 July 2015 were reallocated to finance investments in new equipment and machinery to include but shall not be limited to those itemized in the Company's Prospectus which investments will be staggered during the period 2016-2017 and aligned with the current business needs of the Company .
- d. P100.0 million initially allocated and earmarked to fund specific new product purchases as detailed in the Company's Prospectus dated 24 July 2015 were reallocated to finance the purchase and importation of additions to the Company's product portfolio to cover a much broader range of products which shall include but shall not be limited to new products and product improvements listed in the Company's Prospectus as well as fund the organization of a business development unit to strengthen sales and marketing force for the additional product offerings. This variation in the use of proceeds will allow the Company to further develop and grow the Company's product portfolio and enable it to react flexibly with market requirements as well as to strengthen sales and marketing support to develop market share for such new products (market development).
- e. P14,830,318.45 savings arising from lower actual IPO expenses than the IPO cost estimates provided were channeled to general working capital requirements.
- f. P2,084,931.51 savings arising from lower actual interest expense from the interest

costs estimated for the BDO debt prepayment were likewise rechanneled for use as additional general working capital.

The Board considers the above change in the use of the IPO proceeds to be beneficial to the continued development of the Company's principal business and is in the interests of the Company and its shareholders as a whole.

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	Approved by the Board and/or the Remuneration Committee through a formal and transparent procedure for the fixing of the remuneration packages CEO and Top 4 Senior Executives based on a compensation framework is aligned to the long term interests of the Company	
(2) Variable remuneration	The Company adopts a performance-based variable pay program aligned with business strategy. This is part of the overall annual operating budget that is presented and reviewed by the Board.	The Company adopts a performance-based variable pay program aligned with business strategy. This is part of the overall annual operating budget that is presented and reviewed by the Board.
(3) Per diem allowance	If the conduct of business requires foreign and domestic travel, per diem allowance is provided to reimburse miscellaneous expenses like airport fees, travel tax, taxi fare, meals and phone allowance.	
(4) Bonus	Same as Variable remuneration	Same as Variable remuneration
(5) Stock Options and other financial instruments	N.A.	N.A.
(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	Each director shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of directors, reasonable fees (per diem allowance) for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of such fees. Any revision made by the Board for such fees are applicable only for the succeeding term of the Board of Directors.	The Executive Directors receive a fixed fee as reasonable per diem allowance of P2,500 for every Regular or Special Board Meeting attended. No fees or allowances are paid to executive directors for attendance in Board Committee meetings.	Other than payment of such per diem fees to cover expenses for Board meeting attendance by the directors, there are no other current arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director.
Non-Executive Directors		Non-executive directors receive a fixed fee of P15,000 as reasonable per diem allowance for each regular Board meeting attended; and a fixed fee as reasonable per diem allowance of P10,000 per each special Board meeting attended. In addition, Non-executive directors who are members of the Audit & Risk Management Committee, Nomination and Corporate Governance Committee and Remuneration Committee receive a fixed fee as reasonable per diem allowance of P5,000 for each Board Committee meeting attended.	

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.

No. The directors do not receive any compensation for their services as directors except for reasonable fees as per diem allowances for their meeting attendance which do not require shareholder approval in accordance with the Corporation Code.

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A

3) Aggregate Remuneration for Services as Directors

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
<i>(a) Fixed Remuneration</i>	As per diem	As per diem	As per diem
<i>(b) Variable Remuneration</i>	None	None	None
<i>(c) Per diem Allowance</i>	32,500.00	245,000.00	290,000.00
<i>(d) Bonuses</i>	None	None	None
<i>(e) Stock Options and/or other financial instruments</i>	None	None	None
<i>(f) Others (Specify)</i>	None	None	None
Total	32,500.00	245,000.00	290,000.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
<i>1) Advances</i>	None	None	None
<i>2) Credit granted</i>	None	None	None
<i>3) Pension Plan/s Contributions</i>	None	None	None
<i>(d) Pension Plans, Obligations incurred</i>	None	None	None
<i>(e) Life Insurance Premium</i>	None	None	None
<i>(f) Hospitalization Plan</i>	None	None	None
<i>(g) Car Plan</i>	None	None	None
<i>1. Others (Specify)</i>			
Total			

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:

No rights or warrants were given to the directors in their position as directors of the company.

Director's Name	Number of Direct Option/Right/Warrants	Number of Indirect Option/Right/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Necisto U. Sytengco	None	None	None	None
Gerry D. Tan	None	None	None	None
Esmeraldo A. Tepace	None	None	None	None
Aylene Y. Sytengco	None	None	None	None
Victorina B. Ladrangan	None	None	None	None
Necisto Y. Sytengco II	None	None	None	None
Lilian S. Linsangan	None	None	None	None
Rosaleo M. Montenegro	None	None	None	None
Ricardo Nicanor	None	None	None	None

(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:

There are no amendments and discontinuation of any incentive programs introduced.

<i>Incentive Program</i>	<i>Amendments</i>	<i>Date of Stockholders' Approval</i>
N/A	N/A	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:

<i>Name of Officer</i>	<i>Position</i>	<i>Total Remuneration</i>
Ned Bryan Y. Sytengco	VP for Investments	Php 4,016,212.90
Regina Simona B. de Guzman	General Counsel, Corporate Secretary & Compliance Officer	
Jennifer B. Balao	AVP & Accounting Head	
Emerson P. Paulino	Internal Auditor	
Ria R. Buado	HR & Administration Head	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director or (NED)	Independent Director (ID)				
Executive	5	1	=	Yes	<p>The purpose of the Committee is to assist the Board with its responsibilities and, except for those powers reserved to the Board, to exercise the powers and authorities of the Board when not in session.</p> <p>The following authorities are specifically reserved to the Board:</p> <ul style="list-style-type: none">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; selection of the Chairman and President & Chief Executive Officer; nominations for Board membership following recommendations from the Nomination Committee;f. Appointment or removal of the		

Audit and Risk Management Committee	2	1	2	Yes	<p>Corporate Secretary and Treasurer;</p> <p>g. Appointment, reappointment or removal of the external auditor; and</p> <p>h. Distribution of cash dividends to shareholders.</p> <hr/> <p>The function of the Audit & Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities to shareholders and other stakeholders to safeguard the Company's assets, maintain adequate accounting records and effective systems of internal control and risk management, and ensure the integrity of financial statements and its audit process and compliance with the legal, regulatory and corporate governance requirements.</p> <p>Its duties and responsibilities include:</p> <p>1.1 Review significant financial reporting issues and compliance matters as well as announcements and disclosures relating to the Company's financial results;</p> <p>1.2 Monitor and review, together with the Company's internal audit division, the quality of the Company's management, financial and accounting controls;</p> <p>1.3 Review and discuss with the internal audit executive (the</p>
-------------------------------------	---	---	---	-----	--

					<p>“Internal Auditor”) the Company’s internal audit plans and the periodic report of audit activities, investigations and results of internal audit functions;</p> <p>1.4 Approve the appointment, reassignment or dismissal of the Internal Auditor;</p> <p>1.5 Review the scope of the audit program for the Company in line with the objectives of the Company as well as the outcomes of such audit procedures, and for this purpose, ensure that both internal and external auditors of the Company have access to the records, properties and personnel of the Company in connection with their audit;</p> <p>1.6 Report to the Board on the adequacy of the Company’s internal controls and results of the auditor’s reports, with particular focus on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concerns assumptions, compliance with accounting standards, and compliance with tax, legal and regulatory requirements;</p> <p>1.7 Monitor and review risk exposures and risk mitigation plans of the Company and evaluate the Company’s risk</p>
--	--	--	--	--	--

					<p>effectiveness and adequacy;</p> <p>1.8 Make recommendations to the Board on the appointment, re-appointment, resignation, and removal of external auditors as well as their remuneration and terms of engagement; In case of a potential engagement for non-audit work of the external auditor, to evaluate and determine if such work will have some conflict with their independent audit role;</p> <p>1.9 Review, ratify and/or approve material related party transactions other than recurrent related party transactions of revenue or trading nature or those necessary for its day-to-day operations such as intercompany loans (but not in respect of the purchase or sale of assets, undertakings or businesses) which are in the ordinary course of business and on arm's length basis. Related party transactions are normally transactions between officers, directors, principal shareholders, affiliates and the Company. The Committee shall determine whether or not the particular related party transaction serves the best interests of the Company and its shareholders, and whether the transaction should be continued or discontinued.</p>
--	--	--	--	--	---

Nomination and Corporate Governance Committee	1	1	1	Yes	<p>The powers, duties and responsibilities of the Nomination and Corporate Governance Committee (the “Committee”) are as follows:</p> <ol style="list-style-type: none"> 1. Review the size, structure and composition of the Board and make recommendations to the Board regarding any adjustments necessary to ensure compliance with the Corporation’s Articles and By Laws, Manual for Corporate Governance and applicable legal, regulatory and listing requirements. 2. Coordinate the annual evaluation of the performance of the Board and its Committees to assess the effectiveness of its processes and procedures in the election and replacement of members of the Board. 3. Lead the screening process for nominations for election to the Board of Directors 4. Review and evaluate the qualifications of all persons nominated for election to the Board of Directors in accordance with the requirements of the Corporation’s By Laws, Manual of Corporate Governance and applicable legal, regulatory and listing requirements. 5. Identify, approve and recommend to the Board of
---	---	---	---	-----	---

					<p>Directors the list of eligible nominees to be elected as members of the Board of Directors.</p> <p>6. Consider and determine if nominees for election as independent directors are qualified according to the criteria set under the Listing rules, Revised Code of Corporate Governance, and other applicable laws and regulations.</p> <p>7. Review and evaluate the qualifications of persons nominated for appointment to positions which require the approval of the Board of Directors.</p> <p>8. Develop, update, as necessary, and recommend to the Board policies on corporate governance and overall effectiveness of the Board.</p> <p>9. The Committee shall coordinate the annual evaluation of the performance of the Board ;</p> <p>10. It shall prepare plans for the continuous improvement of the Board performance which may include programs and trainings in leading global best practices and other areas of concern. The Committee shall monitor the implementation of such plans from time to time.</p> <p>The Committee has the authority to select and retain advisor s, including director search firms, to advise the</p>
--	--	--	--	--	--

					Committee in carrying out its functions and complying with the listing standards and other legal requirements.
Remuneration Committee	2	-	2	Yes	<p>The powers, duties and responsibilities of the Remuneration and Compensation Committee are as follows:</p> <ol style="list-style-type: none"> 1. Establish a formal and transparent procedure for the fixing of the remuneration packages of directors and key executives and shall ensure that their compensation framework is aligned to the long term interests of the Company. Key executives shall mean the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and General Manager 2. Review the structure and competitiveness of the Company's compensation program, evaluate such additional compensation plans designed to keep and attract employees to the Company and make recommendation to the Board for latter's final action. 3. In the event that a stock option plan is adopted by the Company, the Committee shall administer the Stock Option Plan in accordance with the terms thereof and recommend to the Board any such modifications that may be considered from time to time.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<i>Chairman</i>	Necisto U. Sytengco	5 March 2015	9	7	78%	2
<i>Member</i>	Gerry D. Tan	29 Jan 2016	9	9	100%	1
<i>Member</i>	Esmeraldo A. Tepace	5 March 2015	9	9	100%	2
<i>Member</i>	Victorina B. Ladrangan	5 March 2015	9	8	89%	2
<i>Member</i>	Aylene Y. Sytengco	5 March 2015	9	9	100%	2
<i>Member</i>	Necisto Y. Sytengco II	5 March 2015	9	9	100%	2

(b) Audit and Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<i>Chairman (ID)</i>	Lilian S. Linsangan	5 March 2015	7	4	57%	2
<i>Member (ID)</i>	Rosaleo M. Montenegro	9 July 2015	7	6	86%	2
<i>Member (NED)</i>	Ricardo Nicanor N. Jacinto	5 March 2015	7	6	86%	2
<i>Member (ED)</i>	Victorina B. Ladrangan	5 March 2015	7	6	86%	2
<i>Member (ED)</i>	Aylene Y. Sytengco	5 March 2015	7	7	100%	2

Disclose the profile or qualifications of the Audit Committee members.

Lilian S. Linsangan, Independent Director, is the Chairperson of the Audit and Risk Management Committee since March 5, 2015. She is the Past President of the Institute of Internal Auditors, Past President and Past Chairman of the Association of Certified Fraud Examiners, Philippine Chapter and a former director of the Women's Business Council of the Philippines.

Rosaleo M. Montenegro, independent director, is a member of the Audit and Risk Management Committee since 9 July 2015. He is currently Vice Chairman of Data Land, Inc., a real estate development company. Prior to his retirement in 2011 from the Ayala group of companies, he was President of Avida Land Corporation, Amaia Land Corporation, Avida Sales Corporation and Amicassa Process Solutions, Inc. and Vice-President of Ayala Land Inc. of the Ayala Corporation group of companies. He also previously served as the Chief Financial Officer of Makati Development Corporation, Laguna Technopark Inc, Ayala Hotels, Inc., Ayala Greenfields Development Corp. and Avida Land Corporation, all subsidiary companies of Ayala Land Inc.

Ricardo Nicanor N. Jacinto, non-executive director of the Company, is a member of the Audit and Risk Management Committee since March 5, 2015. He is currently the Chief Executive Officer of the Institute of Corporate Directors, a non-profit organization dedicated to the professionalization of Philippine corporate directorship. He also serves as an Independent Director of Metro Retail Stores Group, Inc. 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 Master's in Business Administration from the Harvard Business School.

Victorina B. Ladrangan, Executive Director, is a member of the Audit and Risk Management Committee since 5 March 2015. She is currently the EVP & Chief Investments Officer and is responsible for overseeing the investments program of the Company which includes the acquisition and sale of the asset investments of the Company. She was previously the Executive Vice President for Finance of the Company. She has over 27 years of experience in managing the financial affairs of a chemical trading business.

Aylene Y. Sytengco, Executive Director is a member of the Audit and Risk Management Committee since July 9, 2015. She is the Chief Financial Officer and Treasurer of the Company and 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 holds a degree in BS Management of Applied Chemistry from the Ateneo De Manila University.

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

The Audit and Risk Management Committee makes recommendations to the Board and the shareholders on the appointment, re-appointment, resignation, and removal of external auditors as well as their remuneration and terms of engagement.

It also reviews the scope of its audit program for the Company as well as the outcomes of such audit procedures. In case of a potential engagement for non-audit work of the external

auditor, the Committee also evaluates and determines if such work will have some conflict with their independent audit role. It reviews the reports submitted by the external auditors with particular focus on the following matters: any change/s in accounting policies and practices; major judgmental areas; significant adjustments resulting from the audit; going concern assumptions; compliance with accounting standards and tax, legal and regulatory requirements.

The Committee also ensures that the external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier and that the external auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

(c) *Nomination and Corporate Governance Committee*

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<i>Chairman (ID)</i>	Rosaleo M. Montenegro	9 July 2015	2	2	100%	2
<i>Member (NED)</i>	Ricardo Nicanor N. Jacinto	5 March 2015	2	2	100%	2
<i>Member (ED)</i>	Victorina B. Ladrangan	5 March 2015	2	2	100%	2

(d) *Remuneration Committee*

Officer	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<i>Chairman (ID)</i>	Rosaleo Montenegro	9 July 2015	None	n/a		2
<i>Member (ED)</i>	Victorina B. Ladrangan	5 March 2015	None	n/a		2
<i>Member (ED)</i>	Aylene Sytengco	5 March 2015	None	n/a		2

(e) *Others (Specify)*

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

No other Committees apart from those mentioned above.

3) *Changes in Committee Members*

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

<i>Name of Committee</i>	<i>Name</i>	<i>Reason</i>
<i>Executive</i>	Gerry D. Tan	New appointment as CEO/President effective 29 January 2016
<i>Audit</i>	<i>NONE</i>	
<i>Nomination</i>	<i>NONE</i>	
<i>Remuneration</i>	<i>NONE</i>	
<i>Others (specify)</i>	<i>NONE</i>	

4) *Work Done and Issues Addressed*

Describe the work done by each committee and the significant issues addressed during the year.

<i>Name of Committee</i>	<i>Work Done</i>	<i>Issues Addressed</i>
<i>Executive</i>	<p>a) Authorization for Treasury matters relating to borrowings, opening of depository accounts, designation of authorized corporate signatories, and other bank services and transactions in the ordinary course of business;</p> <p>b) Appointment of authorized corporate representatives to transact with government agencies in connection with regulatory compliances;</p> <p>c) Authorization for registration of company logo and trade name;</p>	

	<ul style="list-style-type: none"> d) Appointment of legal representatives in connection cases to be filed in court by the Company; e) Opening of securities trading account for the share buyback program of the Company ; f) Disposal of vehicles, g) Authorization to transact for telecommunication services and water utilities. h) Monitors the utilization of the IPO proceeds and evaluates projects to be funded by the IPO proceeds;
<i>Audit and Risk Management Committee</i>	<ul style="list-style-type: none"> a) Assisted the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; b) Performed oversight functions over the Company's internal and external auditors to ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to the Company's records, physical properties and personnel in the course of their respective audit work. c) Reviewed the annual internal audit plan and the external audit plan; d) Established the internal audit function, and considered the appointment of internal auditor and the terms and conditions of his engagement and removal'; Established and identified the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities and adopted the Internal Audit Charter e) Monitored and evaluated the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information systems; f) It conducted a review of the inventory policies and systems, HR management systems and related party lease arrangements; g) Reviewed the reports submitted by the internal and external auditors;

	<ul style="list-style-type: none"> h) Reviewed the quarterly, half-year and annual financial statements before their submission to the Board approval and public release; i) Made recommendations to the Board on the re-appointment of external auditors as well as their remuneration and terms of engagement; j) Monitored and reviewed risk exposures and risk mitigation plans of the Company; k) Reviewed, ratified and/or approved related party; l) Amended the Committee Charter to expand its responsibilities to include review and approval of related party transactions and its authority to retain advisors; m) It adopted the guidelines for the assessment of the performance of the Audit and Risk Management Committee provided under SEC Memorandum Circular No. 4 Series of 2012;
<i>Nomination and Corporate Governance</i>	<ul style="list-style-type: none"> a) The Committee reviewed the qualifications of new appointment for the position of President and CEO; b) The Committee reviewed the qualifications of the nominees for election to the Board of Directors, including those for independent directors; c) It approved and endorsed to the Board the list of eligible nominees for election to the Board of Directors; d) It coordinated the Board performance assessment. e) It recommended the participation of the Company in the IFC Corporate Governance Excellence Program in 2017.
<i>Remuneration</i>	<ul style="list-style-type: none"> a) It recommended the review of the structure and competitiveness of the Company's compensation program
<i>Others (specify)</i>	

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.

<i>Name of Committee</i>	<i>Planned Programs</i>	<i>Issues to be Addressed</i>
<i>Executive</i>	<p>The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members on such specific matters within the competence of the Board of Directors that are delegated to the Executive Committee in accordance with the Corporation's By-Laws, except those powers and authorities that are specifically reserved to the Board as defined in the Company's Term of Reference for the Executive Committee.</p> <p>The Committees will also be reviewing their Charter to align it processes and systems in accordance with the requirements under the Revised Manual of Corporate Governance prescribed by the Securities and Exchange Commission.</p>	
<i>Audit and Risk Management</i>	<ol style="list-style-type: none"> a. Review and approve the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of SBS Philippines Corp., including the Management's Discussion and Analysis of Financial Condition and Results of Operations, with management, internal auditors, and external auditors to insure integrity of the Company's financial statements, the financial reporting process and systems of internal controls b. Discuss with external auditors the matters required by applicable Auditing Standard and required communication with the Audit Committee to ensure compliance with auditing standards; c. Discuss and approve the overall scope and plans for the respective audits of the Company's internal auditors and external auditors, and the results of their assessment of the Company's internal controls and overall quality of the financial reporting process; d. Discuss the reports and updates of the internal auditors to ensure adequacy of its resource and all its activities are performed in accordance with the International Standards for the Professional Practice of Internal Auditing; 	

	<ul style="list-style-type: none"> e. Discuss and approve the appointment of the new Chief Risk Officer to enhance risk management processes; f. Review the reports of the Chief Internal Auditor and the periodic updates regarding the completion or progress of management action plans identified from previous internal audit reviews; g. Review and approve all audit, audit-related, and permissible non-audit services provided by the external auditor to SBS Philippines Corp. and the related fees , and concluded that the non-audit fees are not significant to impair their independence; h. Recommend the appointment of the Company's external auditor for 2017 and the approval of the audit fees based on their performance and qualifications; i. Recommend the inclusion of the audited consolidated financial statements in the Annual Report for the year ended December 31, 2016 for filing with the Securities and Exchange Commission and the Philippine Stock Exchange; j. Review the existing Committee Charter; and k. Conduct a self-assessment to evaluate the effectiveness of their performance as against the requirements of its Charter and in accordance with the SEC Memorandum Circular Number 4 Series of 2012.
<i>Nomination and Corporate Governance</i>	<p>Annually, the Committee shall review and evaluate the qualifications of all persons nominated as Director and other appointments that require Board approval in accordance with the By-laws, SBS Manual of Corporate Governance and relevant laws, rules and regulations. Further, the Committee ensures that the company establishes and maintains suitable orientation and education program for new Board and Committee members.</p> <p>The Committee also assesses the effectiveness of the Board's processes and procedures in the election and replacement of directors, and shall prescribe screening policies and parameters in the review of the qualifications of nominees for independent directors.</p>

	<p>The Company intends to engage the International Finance Corporation and the Institute of Corporate Directors to conduct an assessment in 2017 of the corporate governance structure of the Company to identify opportunities to strengthen the Company's corporate governance practices and help align with international best practices for enhanced leadership.</p> <p>The Committees will also be reviewing their Charter to align it processes and systems in accordance with the requirements under the Revised Manual of Corporate Governance prescribed by the Securities and Exchange Commission.</p>
<i>Remuneration</i>	<p>The Committee shall review and amend when necessary, the policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.</p> <p>Likewise, the Committee shall review and make recommendations with respect to indemnification and insurance for Directors and Officers</p> <p>The Committees will also be reviewing their Charter to align it processes and systems in accordance with the requirements under the Revised Manual of Corporate Governance prescribed by the Securities and Exchange Commission.</p>
<i>Others (specify)</i>	

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The Company's business activities are exposed to risk as well as opportunities due to a continuously changing business environment. The risk management philosophy of the Company is to mitigate adverse outcome of the identified risks while maximizing the positive contribution of opportunities, in order to secure long term value to our shareholders.

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

The Board of Directors, acting on the advice of the Audit and Risk Management Committee, has reviewed and assessed the adequacy and effectiveness of the Company's risk management process.

It has been proposed that a Chief Risk Officer be appointed in 2017 to further support the Management in its risk identification, assessment, mitigation and monitoring processes,

and the review of written policies covering areas such as inventory and liquidity risk, credit risk, foreign exchange risk, and safety and environment related risk.

(c) Period covered by the review;

For the year ended December 31, 2016.

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

The Audit and Risk Management Committee annually reviews the Company's approaches to risk management, and recommends changes or improvements as necessary to the Board regarding the Company's risk management policies and procedures.

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

Not applicable.

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:

<i>Risk Exposure</i>	<i>Risk Management Policy</i>	<i>Objective</i>
<i>Operational Risk</i>	The Company has a Business Contingency Plan for any unplanned and unforeseen event which triggers a material business impact to the Company.	To ensure continuity of Company's operation and service to our customers, and to protect Company's assets and shareholder value.
<i>Product Portfolio Risk</i>	The Company's strategy of maintaining a diverse product portfolio and selling to a wide range of industries is sufficient to shield the Company from undue risk or cyclicity of certain industries.	To ensure the sustainability of the Company and reduce dependence on a few product growth drivers or industry segment.
<i>Financial Risk</i>	The Company maintains adequate capital at all times in order to withstand adverse market/ business conditions; and to capitalize	The Company's objective in managing its liquidity is to ensure that adequate funding and credit line is available at all times, and to

	<p>on any major business opportunities.</p> <p>The Company ensures that it is able to generate sufficient cash from its business operations to service its principal and interest payments.</p>	<p>access them when needed at the least possible cost.</p> <p>The Company is committed to sustain a prudent debt- to-equity ratio given the nature of its business.</p>
<i>Competition</i>	The Company regularly undertakes a competitive markets scan to ensure that its products, services and operations have sustainable advantages which allow it to offer competitive solutions for its clients	The Company aims to grow its market share and profitability over time.
<i>Environment, Health, and Safety</i>	The Company reviews new laws and regulation related to EHS of its products and operations; updates its policy to comply with these changes. The Company's employee training programs incorporates EHS awareness, proper handling and safe storage of our products. The Company also conducts annual safety drills in its corporate offices and warehouses	Ensure the well-being of all stakeholders (customers, employees and their families, suppliers, surrounding communities, shareholders, etc)

(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:

Subsidiaries and Associates: Same as Company

<i>Risk Exposure</i>	<i>Risk Management Policy</i>	<i>Objective</i>
N/A	N/A	N/A

(c) *Minority Shareholders*

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

<i>Risk to Minority Shareholders</i>
The Company in the ordinary course of business enters into transactions with its principal shareholders and affiliate companies. Measures have been put in place to ensure that such related party transactions will inure to the benefit of the Company and are at terms no less favorable than those entered into with unrelated parties on arms-length basis. Such procedures include the conduct of regular review by the Company's Audit and Risk Management Committee of the related party transactions to ensure that they are conducted on normal commercial terms and are not prejudicial to the interests of minority shareholders.

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:

<i>Risk Exposure</i>	<i>Risk Assessment (Monitoring and Measurement Process)</i>	<i>Risk Management and Control (Structures, Procedures, Actions Taken)</i>
<i>Operational</i>	Business Planning and Budgeting; monitoring of actual result vs objectives Logistics and Safety reviews and Complaint monitoring Periodic process review of key processes related to Operations (e.g. Warehouse Quality System, Order to Cash process; Purchase to Pay process)	Regular review of operations and business metrics, and reporting to senior management and the Board. Logistics and Safety management Policies are regularly reviewed and updated to stay relevant; training and audits are put in place.

<i>Product Portfolio Risk</i>	<p>Review of new laws and regulation regarding product registration and uses</p> <p>Review inventory movement, historical trends and forecast</p>	<p>Ensure that all products in the portfolio are compliant with all laws and regulation, including its storage site and distribution channels.</p> <p>Prevent overdependence on a single supplier, and ensure the best possible purchase price except in specialty products when an exclusivity agreement exists with the supplier.</p> <p>Annual portfolio analysis/ review and set specific action plan when necessary.</p>
<i>Financial Risk</i>	<p>Monitoring of investment and assets, liabilities and payables, cash flow from operations.</p> <p>Monitoring of foreign exchange (mainly USD) movement vs Phil Peso, and the outstanding company exposure through outstanding payables to suppliers.</p>	<p>The Company regularly keeps track of its capital position and assesses business conditions, and adopts measures as may be deemed necessary to mitigate risks.</p> <p>The Company may hedge some of its foreign exchange exposure through a lock in mechanism of the exchange rate for a set amount of currency transaction that will occur at a future date.</p>
<i>Competition</i>	<p>Review of the Market potential for 3rd party distribution and the Company's corresponding market share; Update on Industry trends;</p>	<p>The Company position itself as "One Stop Shop" to differentiate itself from competitors and give the Company a competitive advantage to customers that prefers larger distributors capable to supply a wide range of products and reduce the number of companies with whom they have to deal with.</p>

<i>Environment, Health and Safety</i>	<p>Regular and structured Quality and Safety audit on logistic facilities</p> <p>Conducts environment impact assessment and management plan on relevant site for Environment Compliance Certificate</p>	<p>The Company's employees training program incorporates EHS awareness, proper handling and safe storage of our products.</p> <p>Updated product safety data sheets.</p> <p>The Company has a Health & Safety Committee that ensures the health & safety welfare of its employees.</p>
<i>Governance and Internal Controls</i>	<p>Periodic review of internal controls and regular reporting to the Audit and Risk Management Committee and/or the Nomination & Corporate Governance Committee as defined in the respective duties and responsibilities of the committees</p>	<p>Compliance with the Company's Manual on Corporate Governance for the Board Compliance with laws and regulations</p> <p>Continuous Improvement program to strengthen the Company's policies and practices.</p>

(b) Group

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

Subsidiaries and Associates: Same as Company

<i>Risk Exposure</i>	<i>Risk Assessment (Monitoring and Measurement Process)</i>	<i>Risk Management and Control (Structures, Procedures, Actions Taken)</i>
N/A	N/A	N/A

(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:

<i>Committee/Unit</i>	<i>Control Mechanism</i>	<i>Details of its Functions</i>
<i>Audit and Risk Management Committee</i>	Provides oversight over the Company's internal audit, related party transactions, and risk management processes.	<ol style="list-style-type: none"> 1. Review significant financial reporting issues and compliance matters as well as announcements and disclosures relating to the Company's financial results; 2. Monitor and review, together with the Company's internal audit division, the quality of the Company's management, financial and accounting controls; 3. Review the scope of the audit program for the Company in line with the objectives of the Company as well as the outcomes of such audit procedures, and for this purpose, ensure that both internal and external auditors of the Company have access to the records, properties and personnel of the Company in connection with their audit; 4. Report to the Board on the adequacy of the Company's internal controls and results of the auditor's reports, with particular focus on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concerns assumptions

		<p>5. Review significant financial reporting issues and compliance matters as well as announcements and disclosures relating to the Company's financial results;</p> <p>6. Monitor and review, together with the Company's internal audit division, the quality of the Company's management, financial and accounting controls;</p> <p>7. Review the scope of the audit program for the Company in line with the objectives of the Company as well as the outcomes of such audit procedures, and for this purpose, ensure that both internal and external auditors of the Company have access to the records, properties and personnel of the Company in connection with their audit;</p> <p>8. Report to the Board on the adequacy of the Company's internal controls and results of the auditor's reports, with particular focus on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concerns assumptions, compliance with accounting standards,</p>
--	--	---

		<p>and compliance with tax, legal and regulatory requirements;</p> <p>9. Monitor and review risk exposures and risk mitigation plans of the Company and evaluate the Company's risk management systems for its effectiveness and adequacy.</p>
--	--	--

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;

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of the objectives of the Company relating to operations, reporting, and compliance, including the safeguarding of assets.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board of Directors, through the Audit and Risk Management Committees, has reviewed the internal control system of the Company based on the assessments completed and reported by the internal and external auditors. The Board found the internal control system to be effective.

(c) Period covered by the review;

For the year ended 2016

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

Management reviews the adequacy and effectiveness of internal controls continuously throughout the year as part of its day-to-day function. Internal Audit assists management to attain company goals through independent risk-based planned reviews (as scheduled in the Internal Audit Plan approved by the Board) and evaluation of the effectiveness of controls.

The directors' criteria in assessing the internal control system are primarily based on whether these controls are designed or operate effectively in mitigating related risks or fraud. The following internal control components are being reviewed:

1. Control Environment-the tone of the top and ethical behavior culture in the company.
2. Risk Assessment-the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed and provide reasonable assurance that risks are reduced to an acceptable level.
3. Information and Communication-systems or processes that support the identification, capture, and exchange of accurate and complete information.
4. Control Activities- policies and procedures, international standards and industry best practices to ensure compliance with laws, regulations, supervisory requirements, and relevant internal policies.

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

Not applicable. Review was conducted for the year.

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.

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing

(Standards).

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers are also adhered to as applicable to guide operations. In addition, the internal audit activity adheres to the relevant policies and procedures of SBS Philippines Corporation and the internal audit activity's standard operating procedures manual.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<ul style="list-style-type: none"> Assist the Board and the Audit Committee in discharging its governance responsibility Evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the company's strategy, objectives and goals to be met Provides consulting and advisory services related to governance, risk management and control as appropriate for the organization. Reports periodically on the internal audit 	<p>The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.</p>	In-house Internal Audit Function	Emerson Posadas Paulino	<p>A written report is prepared and issued by the Internal Audit Head or designee following the conclusion of each internal audit engagement and is distributed as appropriate. Internal audit results is also be communicated to the Board.</p> <p>The Internal Audit Head periodically reports to the Board through the Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting also includes significant risk exposures and control issues, including fraud risks, governance</p>

activity's purpose, authority, responsibility, and performance relative to its plan.				issues, and other matters needed or requested by senior management and the Board.
--	--	--	--	---

(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?

Yes. As provided in the Internal Audit Charter approved by the Board, through the Audit and Risk Committee:

The Board, through the endorsement of the Audit Committee will:

- Approve decisions regarding the appointment and removal of the Internal Audit Head.
- Assess the performance of the Internal Audit Head.
- Approve the remuneration of the Internal Audit Head.

(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?

As per the approved Internal Audit Charter, the following statements are in effect:

The Internal Audit Head (overall responsible for the internal audit activities) will report functionally to the Board through the Audit Committee and administratively (i.e. day to day operations) to the Chief Executive Officer.

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of SBS Philippines Corporation's records, physical properties, and personnel pertinent to carrying out any engagement approved by the Board through the Audit Committee. All employees are enjoined to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board.

(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
Romy V. Feliciano	Hired August 2, 2016

(e) *Progress against Plans, Issues, Findings and Examination Trends*

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

Progress Against Plans	The internal audit activities are being performed as planned or as identified in the Internal Audit Plan.
Issues⁶	There are no significant issues noted based in the results of the audit reviews conducted. Noted issues are on enhancements of and compliance to existing policies and procedures.
Findings⁷	<p>There are no significant findings noted based on the results of the audit reviews conducted. Reported findings are primarily on the enhancements and documentation of corporate governance policies and guidelines, and consistent implementation of procedural controls.</p> <p>Report on the results of the audit review is provided to the responsible personnel, department heads, senior management, and the Audit Committee based on the Committee approved Risk Reporting Framework.</p>
Examination Trends	<p>Risk-assessment is being performed in preparing the Internal Audit plan. Based on the risk assessment, high risk areas are usually prioritized in the audit schedule.</p> <p>Based on follow-up of audit recommendations, management are addressing reported risk issues, control weaknesses and opportunities for improvement within the audit period and committed timeline.</p>

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

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

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

(f) Audit Control Policies and Procedures

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

<i>Policies & Procedures</i>	<i>Implementation</i>
Physical count	November 2016
Accounting month-end closing	October 2016
Customer Management	3 rd Quarter
Sales Order Processing	3 rd Quarter
Credit and Collection	3 rd Quarter

(g) Mechanisms 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):

<i>Auditors (Internal and</i>	<i>Financial Analysts</i>	<i>Investment Banks</i>	<i>Rating Agencies</i>
Rotation of partner-in-charge every five years for external auditors	Ensure independence of individual financial analyst	Engagement of investment bank services is subject to the prior Board approval.	There must be conflicts check to ensure the rating agency do not have an interest in the Company
Internal function abides by the independence and objectivity clause		Investment bank to be engaged must be SEC accredited.	

of the Internal Audit Charter		Service combinations are avoided.	
Internal Audit function abide by the company's code of ethics and employee policy			

(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 accordance with SEC Memorandum Circular No. 5 Series of 2013, the Annual Corporate Governance Report has been implemented, while the Certification of Compliance with the Manual of Corporate Governance has been discontinued. This will be the first time for the Company to submit its ACRG in accordance with the scheduled submission defined in SEC Memorandum Circular No. 3 Series of 2015. This 2016 ACGR report will be signed by the Chairman, the CEO, the Compliance Officer, and two independent directors of the Company.

H. ROLE OF STAKEHOLDERS

7) Disclose the company's policy and activities relative to the following:

	Policy	Activities
<i>Customers' welfare</i>	<p>The trust of our customers and business partners, is fundamental to our business and is the source of success and growth of the Company.</p> <p>We are committed to preserving this relationship of trust by conducting our business in a responsible manner and with integrity.</p> <p>We provide delightful customer service at all times to win our customer's loyalty through performance and service.</p>	<p>The Company attends to its customer welfare by conducting business reviews with customers.</p> <p>Our team of passionate and well-trained professionals continuously works to better understand and meet our customers' needs and expectations.</p> <p>We provide our customers several contact points with our company for their feedback, quality and warehousing service audits, and other concerns so we can act upon them.</p>

<p><i>Supplier/contractor selection practice</i></p>	<p>The Company establishes a strong position of trust among its stakeholders through ethical conduct of its business.</p> <p>The vendor management and selection process includes our suppliers' ability to comply with government and regulatory agencies mandatory standards and requirements.</p>	<p>Accreditation of suppliers follows an accreditation procedure and criteria.</p> <p>The Company engages in multiple sourcing for its suppliers and contractors to ensure diversity and reliability.</p> <p>In purchases of significant value, we review quotations from at least 3 accredited vendors before deciding to purchase.</p>
<p><i>Environmentally friendly value-chain</i></p>	<p>The Company is committed to the safe and proper stewardship of our products and of our environment and employ safety standards and practices that include accident prevention efforts through planning and safety trainings. We strive to improve the impact of our business on the environment and in the communities when we operate by adopting green practices in our operations</p>	<p>We provide the necessary documents along the value chain to ensure that all stakeholders are fully aware of the products that they handle related to Environment, Health and Safety.</p> <p>We use energy efficient lightning, participating in recycling programs, reduce waste generation and sourcing "green" products and natural ingredients for customers.</p>
<p><i>Community interaction</i></p>	<p>The Company is always looking for ways to involve itself in social and community development and outreach programs. The Company directly, and through Sytengco Foundation conducts CSR Initiatives for the benefit of the Community.</p>	<p>A number of the CSR activities includes medical and dental mission and contribution; education assistance program; language and heritage program.</p>
<p><i>Anti-corruption programs and procedures?</i></p>	<p>The Company does not tolerate any form of corruption by its employees and suppliers.</p> <p>Any solicitation or offering of gifts, payments, fees, rewards or contributions, or any advantage, financial or otherwise, by Company employees and their relatives, or by suppliers and their representatives, in exchange for business or for personal gain is strictly prohibited.</p> <p>Under no circumstances shall Company employees make or authorize, directly or indirectly any illegal or improper payment to</p>	

	<p>employees of customers.</p> <p>All employees are expected to report any such violations or suspected violations.</p>	
<i>Safeguarding creditors' rights</i>	<p>The Company shall protect the rights of all creditors as a stakeholder.</p> <p>The Company shall comply with all debt covenants for so long as the obligations are outstanding.</p>	<p>The Company provides the creditors with audited financial statement as required in accordance to the loan / suppliers agreement that will enable the lenders to evaluate the financial standing of the Company.</p>

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

Yes, the Company has a write up on corporate social responsibility included in the Annual Report.

9) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company is committed to ensure its employees safety, health and welfare by providing relevant programs that is essential in achieving the Company's vision and mission, such as but not limited to:

1. Learning programs that will support and enhance employees' skills and career development
2. Wellness programs that will lift employees' morale and overall well-being
3. Procedures that will guarantee employees safety and protection
4. Corporate Social Responsibility (CSR) activities that will engage employees in promoting positive social and environmental change

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

SBS Employees who availed the Annual Physical Exam = 44
SBS Employees who availed Free eye check up (EO) = 52
SBS Employees who availed / purchased discounted EO items = 31

2016 Programs Implemented.

5. Annual Physical Exam (Maxicare) at Hi-Precision Diagnostics
6. Partnership with EO Executive Optical – free eye check up and discounts on frames and lenses
7. Partnership with Manila Ocean Park
8. Partnership with Hotel H2O and Azalea Suites & Residences
9. Pag-ibig loyalty card in-house ID Capture
10. First Friday Eucharistic Celebrations

(c) State the company's training and development programs for its employees.
Show the data.

Learning Title	Provider	Date
Journey towards Competitiveness, Growth and Profitability: A business Coaching Session	Guthrie-Jensen	March 18-20, 2016
26th Environmental Training for Managing Heads	Environmental Counselors, Inc.	April 04, 2016
Basic Training Course for New Pollution Control Officer	Water Environment Association of the Phils.	April 26, 2016
Good Warehousing Practices Seminar	Aguila Group of Companies	July 27, 2016
2016 HR Congress	ARIVA Events Management	August 17 - 18, 2016
How to Comply DOLE, SSS, ECC, Pag-ibig, Philhealth Regulations	Powermax Consulting Group, Inc.	August 31, 2016
Employee Benefits Asia Conference	Learning Curve Inc.	September 15, 2016
Projecting the Winner in You: A program on total personality development	Holistic Learning & Development Solutions Co.	October 01, 2016
Strategic Human Resources Management	Guthrie-Jensen	October 25 - 27, 2016
NUS-Chicago Booth Emerging CFOs for Asia Programme Oct 2016	NUS Business School	October 31 – November 4, 2016

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

The Company includes in its variable remuneration scheme and awards/recognition to qualified employees that demonstrated to live and act by our Core Values:

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

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

The Company's Whistleblowing policy provide for the mechanism to raise genuine issues and concerns of serious wrongdoing, improprieties or risks in the conduct of the business of the Company. The policy aims to deter and uncover corrupt, illegal, unethical, fraudulent and other conduct detrimental to the interests of the Company

Under the policy, if an employee in good faith believes that a serious wrongdoing or impropriety exists in the workplace, she is encouraged to report the matter immediately to his/her service line manager. If there are reservations to raise the matter through service line managers, the concern may be raised either to the Compliance Officer or any of the Independent Directors by submitting an incident report. Subject to the gravity and credibility of the concern raised and the probability of validating the concern from reliable sources, the matter will be investigated by Company.

Unless otherwise agreed, identities of employees who have raised concerns will be held in confidence to protect the employee from victimization, harassment or disciplinary action as a result of any disclosure of impropriety.

I. DISCLOSURE AND TRANSPARENCY

11) Ownership Structure

(a) Holding 5% shareholding or more as of December 31,2016

Shareholder	Number of Shares	Percent	Beneficial Owner
<i>PCD Nominee Corporation (Filipino)</i>	<i>1,198,227,650</i>	<i>99.85%</i>	<i>* BDO Securities Corporation (63.29%)</i> <i>* Abacus Securities Corporation (24.14%)</i>

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Necisto U. Sytengco</i>	<i>42,254,600</i>	<i>433,347,435</i>	<i>39.81%</i>
<i>Aylene Y. Sytengco</i>	<i>7,800,700</i>	<i>60,949,700</i>	<i>5.76%</i>
<i>Necisto Y. Sytengco, II</i>	<i>4,075,000</i>	<i>15,000,000</i>	<i>1.6%</i>
<i>Gerry D. Tan</i>	<i>25,000</i>	<i>0</i>	<i>0</i>
<i>Esmeraldo A. Tepace</i>	<i>180,400</i>	<i>0</i>	<i>0.02%</i>
<i>Victorina B. Ladrangan</i>	<i>772,000</i>	<i>0</i>	<i>0.06%</i>
<i>Lali Y. Sytengco</i>	<i>770,000</i>	<i>0</i>	<i>0.06%</i>
<i>Ned Bryan Y. Sytengco</i>	<i>3,125,800</i>	<i>15,758,200</i>	<i>1.58%</i>
<i>Jennifer B. Balao</i>	<i>15,000</i>	<i>0</i>	<i>0</i>
<i>Regina Simona B. De Guzman</i>	<i>50,000</i>	<i>0</i>	<i>0</i>
TOTAL	58, 298,500	525,055,335	48.89%

12) Does the Annual Report disclose the following

13)

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

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

14) *External Auditor's fee*

<i>Name of auditor</i>	<i>Audit Fee</i>	<i>Non-audit Fee</i>
Punongbayan & Araullo	PhP 800,000.00	n/a

15) *Medium of Communication*

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

The Company employs the following modes of communication for disseminating Company information and results on a regular basis to its stakeholders:

- a. Company website
- b. Press releases
- c. Structured and unstructured corporate disclosures
- d. One-on-one meetings between company officers and analysts/institutional investors
- e. Annual report
- f. Local participation in industry-oriented exhibits and conferences
- g. Stockholders' meeting
- h. Email alerts

16) *Date of release of audited financial report:*

February 22, 2017

17) *Company Website*

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

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

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

18) Disclosure of RPT

<i>RPT</i>	<i>Relationship</i>	<i>Nature</i>	<i>Value</i>
Baler Industrial Corporation	Affiliate	Sale of Goods	P 8,472,375
Canon Realty & Devt Corporation	Affiliates and Director	Leases	17,008,013
Aneco Realty & Devt Corporation			
Anase Realty & Devt Corporation			
Canon Freight Forwarders Corporation			
Certain directors and Management personnel	Directors, Officers and Employees	Service fees and Professional fees	12,698,944
Aneco Realty and Development Corporation, ULife Corporation, Canon Realty and Development Corporation, Anase Realty and Enterprises Corporation, Asida Holdings Corporation, Sytengco Enterprises Corporation, Baler Industrial Corporation, and Anesy Holdings Corporation	Affiliates	Share business and management services	1,778,871

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?

It is the policy of the Company that transactions between the Company and any of its directors, officers, significant shareholders (beneficial share ownership of more than 10%), or certain entities or persons related to them ("Related Parties") will be on terms no less favorable to the Company than those entered into with unrelated parties under same or similar circumstances and will not be prejudicial to the Company's minority shareholders.

The Company, in the regular course of business, engages in transactions with its affiliates and other related parties, principally in the form of reimbursement of expenses, leasing, management and administrative service agreements.

Related party transactions are subject to the regular and periodic review of the Audit and Risk Management Committee of the Company, which is comprised by a majority of non-executive directors, two of whom are independent directors. The review covers new, existing or proposed related party transactions and involves examination of the nature and terms of the transaction to determine whether or not the particular related party transaction is on terms no less favorable to the Company than terms generally available to unrelated parties under the same or similar circumstances. The Committee considers all relevant factors that are in the best interest of the Company and its shareholders.

Material related party transactions, other than recurrent related party transactions of revenue or trading nature or those necessary for its day-to-day operations but not in respect of the purchase or sale of assets, businesses or investments which are in the ordinary course of business, are subject to the approval and/or ratification of the Audit and Risk Management Committee.

The Company complies with Section 32 and 33 of the Corporation Code with regard to related party transactions involving its directors, officers and affiliates.

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.

Quorum Required	Unless otherwise provided by law, in all regular or special meeting of the shareholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum, except in those cases where the Corporation Code provides a greater percentage vis-a-vis
------------------------	---

(b) *System Used to Approve Corporate Acts*

Explain the system used to approve corporate acts.

System Used	For corporate acts to be approved by the shareholders, by stock vote and ballot or poll voting.
Description	Voting is straight and cumulative in the case of election of Directors. Each outstanding share of stock entitles the registered holder to one vote, except for the election of the directors, where a stockholder may distribute his shares for as many nominees as there are directors to be elected, or he may cumulate his shares and give one nominee as many votes as the number of directors to be elected. The total number of votes cast should not exceed the total number of shares a stockholder owns.
	<p>The following poll voting procedures will be observed during shareholders' meeting:</p> <p>Upon registration, the shareholders, voting in person or by proxy will be presented with a ballot which will be used to cast their votes in writing. The ballot would state the proposed action items in the Agenda for consideration of the shareholders.</p> <p>To vote, the shareholder shall manually fill up ballot provided to him upon registration indicating the votes cast per item of the agenda. Once completed, the shareholder shall place the ballot with the votes cast in the ballot boxes located at the registration table and inside the meeting hall.</p> <p>All votes received will be tabulated by the Office of the Corporate Secretary, and the results of the tabulation shall be validated by the Company's Independent Auditors.</p> <p>As an item on the Agenda is taken up, the Corporate Secretary will report the total number of votes received and if the agenda item is carried or disapproved.</p>

(c) Stockholders' Rights

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

The shareholders rights provided under the Company's Articles of Incorporation and By-Laws are consistent with the requirements of the Corporation Code. However, the Shareholders' rights are more specifically defined under the Company's Articles and ByLaws as follows:

Annual or Regular Shareholders' Meetings

The Philippine Corporation Code requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The Amended By-laws of the Company provide for annual meetings on the last Friday of June of each year to be held at the principal office or at any other place in Metro Manila, Philippines or any other place as may be allowed by law designated by the Board or the Chairman and Chief Executive Officer and at such hour as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by any of the following: (1) the Chairman of the Board; (2) by the President of the Company; (3) by the Board of Directors; or (4) upon written request of a majority of the registered owners of at least a majority of the outstanding capital stock.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. Under the Amended By-laws of the Company, notices for regular and special meetings shall be sent to each stockholder at least two weeks prior to such meeting. In addition, the Company is required under the SRC to send its shareholders of record at least 15 business days prior to the date of the annual or special meeting, an information statement and proxy form (in case of proxy solicitation) relating to such shareholders' meeting. Notices of regular or special meetings may be waived in writing by any shareholder, in person or by proxy, before or after the meeting.

When the meeting of the shareholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted at the original date of the meeting.

Quorum

Unless otherwise provided by law, in all regular or special meeting of shareholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum, except in those cases where the Corporation Code provides a greater percentage vis-à-vis the total outstanding capital stock. If no quorum is constituted, the

meeting shall be adjourned until the requisite amount of stock shall be represented.

Meetings of the shareholders shall be presided over by the Chairman of the Board, or in his absence, the President, or in the absence of the Chairman and the President, by a temporary chairman to be chosen by the shareholders. The Corporate Secretary, or, in his absence, the Assistant Corporate Secretary, or in the absence of both, any person appointed by the Chairman of the meeting, shall act as secretary of such meeting.

Voting

At all meetings of shareholders, a shareholder may vote in person or by proxy, for each share held by such shareholder.

Fixing Record Dates

The Company's amended By-Laws provide that for the purpose of determining the shareholders entitled to notice of, or to vote at, any meeting of shareholders or any adjournment thereof or to receive payment of any dividend, or making any other proper determination of shareholders, the Board may provide that the stock and transfer books be closed for a stated period, which shall not exceed, in any case, 25 days immediately preceding such meeting.

Notwithstanding the provisions of the amended by-laws of the Company on the setting of record dates, the SEC may, from time to time, promulgate rules for listed companies such as the Company relating to the fixing of such record dates. Under existing SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 nor more than 30 days from the date of declaration. With respect to stock dividends, the record date shall not be less than 10 nor more than 30 days from the date of shareholder approval. However, the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of cash or stock dividends. In the event that stock dividends are declared in connection with an increase in the authorized capital stock, the corresponding record date shall be fixed by the SEC.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy, duly given in writing and duly presented to the Corporate Secretary before the time set for the meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

Dividends

<i>Declaration Date</i>	<i>Record Date</i>	<i>Payment Date</i>
<i>May 12, 2016</i>	<i>June 1, 2016 (as listed company)</i>	<i>June 22, 2016</i>
<i>March 5, 2015</i>	<i>March 5, 2015</i>	<i>April 28, 2015</i>
<i>December 29, 2014</i>	<i>December 29, 2014</i>	<i>March 25, 2015</i>

(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.

To promote stockholder participation in the Annual/Special Stockholders' Meetings, the Company provides for the following:

- The date of the meetings is fixed and announced by the Board well ahead of the meeting date with the time and place for the meeting convenient to most shareholders.
- Notice and agenda, reports and other materials for consideration in the meeting are dispatched to the shareholders at least 28 days before the meeting date.
- The meeting allows for proxy voting and provides for an open forum for the consideration of the Management and shareholder proposals.
- The voting procedures and agenda items are explained to the shareholders before and during the meeting

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*

Consistent with the requirements of the Corporation Code, the Company considers certain matters as significant corporate acts that may be implemented only with the approval of shareholders. These acts, which require Board approval and the approval of shareholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the Company in a meeting duly called for the purpose (except for the amendment of By-Laws and approval of management contracts in general, which require approval of shareholders representing a majority of the Company's outstanding capital stock), include:

- Amendment of the Articles;
- Extension or shortening of corporate term;
- An increase or decrease of capital stock and incurring, creating or increasing bonded indebtedness;
- Delegation to the Board the power to amend or repeal or to adopt new By-Laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets;
- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or for a purpose other than the primary purpose for which the Company was organized;
- Dissolving the Company;
- Declaration or issuance of stock dividends;
- Ratifying a contract between the Company and a Director or officer where the vote of such Director or officer was necessary for approval;
- Entering into a management contract where (a) a majority of Directors of the managing corporation constitutes the majority of the board of the managed company or (b) stockholders of both the managing and managed corporations represent the same interest and own or control more than one third of the outstanding capital stock entitled to vote;
- Ratification of contracts with corporations in which a Director is also a member of the board, where the interest of the Directors is substantial in one corporation and nominal in the other.

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: 25 May 2016

(b) Date of the Annual/Special Stockholders' Meeting: 22 June 2016

4. *State, if any, questions and answers during the Annual/Special Stockholders' Meeting.*

- Mr. Emilio M. Dela Cruz, shareholder, inquired on how the financial results of the Company's associate, Neschester Corporation, were reflected in the

financial statements of the Company. The President, Mr. Gerry Tan, explained that while the Company owns a significant portion of the voting shares of Neschester Corporation, it is less than 50% and therefore its financial results were not consolidated in the financial statements of the Company. The carrying amount of the investment is presented in the statement in financial position under non-current assets as investments in an associate.

- As a follow up question, Mr. Dela Cruz also asked about the dividend payout rate of the Company. The President, Mr. Gerry Tan clarified that the P0.037 cash dividends per share distributed by the Company represented 28% of the 2015 net income after tax of the Company.
- Mr. Guillermo Gili Jr. also inquired on the 2016 first quarter results of the Company and how it compared with the 2015 comparative period. The President, Mr. Gerry Tan, stated that the Company posted solid profit growth in the first quarter of 2016 and registered a net income after tax of P46.9 million, up by 45.8% from P32.1 million posted for the same period in 2015. He further elaborated that sales of P250.8 million were generated in the first quarter of 2016, up by 3.1% compared to previous year comparable period of P243.2 million. Mr. Gili further asked where the Company will use the sales proceeds from the disposal of its investment properties. The President, Mr. Gerry Tan, explained that the Company intends to use the sale proceeds for working capital purposes and to pursue value creating investments.
- On the redeployment of the unutilized IPO proceeds for synergistic acquisitions, Ms. Rachelle Cruz, shareholder, inquired on the specific target businesses and the status or progress of such potential acquisitions. The President, Mr. Gerry Tan, explained that the Company intends to pursue business-building acquisitions or investments in allied chemical businesses.
- He pointed out that no agreement, arrangement or understanding has been reached with respect to any such acquisition to-date and that it will be reviewing acquisition opportunities and anticipates to close such project during the period 2016-2018

5. Result of Annual/Special Stockholders' Meeting's Resolutions

<i>Resolution</i>	<i>Approving</i>	<i>Dissenting</i>	<i>Abstaining</i>
<p>1. <u>Approval of the minutes of previous meeting</u></p> <p><i>“RESOLVED, that the minutes of the Annual Shareholders’ Meeting held on 9 July 2015, be, as it is hereby, approved.”</i></p>	<p>1,029,838,003 shares (99.5% of those present and voting)</p>		<p>5,216,710 (0.50%)</p>
<p>2. <u>Approval of Reports to the Shareholders</u></p> <p><i>“RESOLVED, that the Annual Report of Management to the Shareholders, including the Chairman’s Message, President’s Report and audio-visual presentation.....to the Shareholders, be, as it is hereby, received and noted and that the Audited Financial Statements of the Company as of and for the twelve-month period ended.. 31 December 2015 as audited by the Company’s Independent Accountants, Punongbayan & Araullo, are hereby approved and accepted.”</i></p>	<p>1,029,838,003 shares (99.5% of those present and voting)</p>		<p>5,216,710 (0.50%)</p>

<p><u>3. Ratification of acts and resolutions of the Board and Management</u></p> <p><i>“RESOLVED, that all the acts and transactions of the Board of Directors and Management from the date of the last annual stockholders’ meeting held on July 9, 2015 to date, as well as contracts and transactions entered into by the Corporation for the same period, as reflected in the minutes of the Board of Directors, the Annual Report,</i></p>	<p>1,029,838,003 shares (99.5% of those present and voting)</p>		<p>5,216,710 (0.50%)</p>
<p><u>4. Appointment of the Independent Auditors</u></p> <p><i>“RESOLVED, that Punongbayan & Araullo be, as it is hereby, re-appointed as the Company’s Independent Accounts for the Financial Year 2016 for a total audit fee of Eight Hundred Thousand Pesos (P800,000.00).”</i></p>	<p>1,029,838,003 shares (99.5% of those present and voting)</p>		<p>5,216,710 (0.50%)</p>

<p>5. <u>Election of Directors</u></p> <p><i>“RESOLVED, that the following individuals be, as they are hereby, re-elected as members of the Company’s Board of Directors to serve for term of one year from 22 June 2016 and until their successors have been duly elected and qualified:</i></p>			
--	--	--	--

1.	<i>Mr. Necisto U. Sytengco</i>	<i>1,029,821,003 (85.82% of outstanding shares)</i>		5,233,710
2.	<i>Mr. Gerry D. Tan</i>	<i>1,029,821,003 (85.82% of outstanding shares)</i>		5,233,710
3.	<i>Mr. Esmeraldo A. Tepace</i>	<i>1,029,821,003 (85.82% of outstanding shares)</i>		5,233,710
4.	<i>Ms. Victoria B. Ladrangan</i>	<i>1,029,821,003 (85.82% of outstanding shares)</i>		5,233,710
5.	<i>Ms. Aylene Y. Sytengco</i>	<i>1,029,821,003 (85.82% of outstanding shares)</i>		5,233,710
6.	<i>Mr. Necisto Y. Sytengco II</i>	<i>1,029,821,003 (85.82% of outstanding shares)</i>		5,233,710
7.	<i>Mr. Ricardo Nicanor N. Jacinto</i>	<i>1,029,821,003 (85.82% of outstanding shares)</i>		5,233,710

<i>And the following as Independent Directors:</i>			
8.	<i>Mr. Rosaleo M. Montenegro</i>	<i>1,029,821,003 (85.82% of outstanding shares)</i>	5,233,710
9.	<i>Ms. Lilian S. Linsangan</i>	<i>1,029,821,003 (85.82% of outstanding shares)</i>	5,233,710

6. *Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:*

The Company discloses the results of the votes taken for all resolutions considered during the AGM right after the completion and adjournment of the Annual Shareholders Meeting.

(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:

None

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

<i>Type of Meeting</i>	<i>Names of Board members / Officers present</i>	<i>Date of Meeting</i>	<i>Voting Procedure (by poll, show of hands, etc.)</i>	<i>% of SH Attending in Person</i>	<i>% of SH in Proxy</i>	<i>Total % of SH attendance</i>
<i>Annual</i>	<i>Directors Present:</i>	<i>June 22, 2016</i>	<i>By poll</i>		<i>1,035,054,713</i>	<i>85.25%</i>

Mr. Necisto U. Sytengco

Mr. Gerry D. Tan

Mr. Esmeraldo A. Tepace

Ms. Victorina B. Ladrangan

Ms. Aylene Y. Sytengco

Mr. Necisto Y. Sytengco II

Mr. Ricardo Nicanor N. Jacinto

Ms. Lilian S. Linsangan - Independent Director

Mr. Rosaleo M. Montenegro - Independent Director

Officers Present

Necisto U. Sytengco - Chairman of the Board

Gerry D. Tan - -President & Chief Executive Officer

Emeraldo A. Tepace - Executive Vice President & Chief Operating Officer

Victorina B. Ladrangan - Executive Vice President & Chief Investments Officer

Aylene Y. Sytengco - Chief Financial Officer & Treasurer

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

Lali Y. Sytengco- Vice President for Purchasing

Ned Bryan Y. Sytengco - Vice President for Investments

Regina Simona B. de Guzman - General Counsel, Corporate Secretary, Compliance Officer & Corporate Information Officer

Jennifer B. Balao - Assistant Vice President for Accounting

Emerson P. Paulino - Internal Auditor

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

Yes, the Company's Independent Auditors act as tabulators for the votes cast during the meeting.

(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.*

Yes, the stock vote provides for one vote.

(g) Proxy Voting Policies

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

	Company's Policies
<i>Execution and acceptance of proxies</i>	<p>The proxy must be in writing and signed by the shareholder. In case of a corporate stockholder and other entities, a duly sworn Secretary's Certificate or any similar document showing his or her authority to execute the proxy on behalf of corporation or entity should be attached to the Proxy.</p> <p>In the event that more than one proxy is received from the same shareholder, that which is presented or filed last will be considered, provided, however, if some of the proxy forms do not indicate the number of shares represented, the total shareholdings of the shareholder shall be tallied and the balance thereof, if any, shall be allotted to the holder of the proxy form without the number of shares. If all are in blank, the shares represented shall be distributed equally among the designated proxies.</p> <p>If the proxy does not designate the person to represent him, the Chairman of the meeting will be considered as the shareholder's attorney-in-fact and proxy, to represent and vote all shares registered in the name of the shareholder.</p>

	<p>When properly executed, the proxy will be voted in the manner as provided therein by the stockholder. If no instruction is made, the proxy will be voted for the election of all nominees and the approval of all the matters in the meeting agenda and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by Management or the Board of Directors.</p>
<i>Notary</i>	<p>The proxy is not required to be notarized.</p>
<i>Submission of Proxy</i>	<p>The proxy should be filed or received by the Corporate Secretary before the time set for the meeting. It may be filed in person or delivered by mail.</p>
<i>Several Proxies</i>	<p>Shareholder may designate several proxies provided that the number of shares properly represented by each must be designated in the proxy form filed.</p> <p>In the event that several proxies are filed by the same shareholder for the same number of shares, the last proxy received shall be considered as the valid proxy.</p>
<i>Validity of Proxy</i>	<p>Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. Proxies filed with the Corporate Secretary may be revoked by the shareholder either in an instrument in writing duly presented and recorded with the Corporate Secretary prior to the scheduled meeting or by their personal presence in the meeting. No proxy shall be valid and effective for a period longer than 5 years at any one time.</p>
<i>Proxies executed abroad</i>	<p>Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.</p>

<i>Invalidated Proxy</i>	Proxies received after the deadline set for its submission are considered invalid. Proxies revoked by the shareholder either in an instrument in writing duly presented and recorded with the Corporate Secretary prior to the scheduled meeting are also deemed invalid.
<i>Validation of Proxy</i>	The validation of proxies is undertaken by the Corporate Secretary together with the Stock Transfer Agent acting as Committee of Inspectors.
<i>Violation of Proxy</i>	No broker or dealer shall give a proxy, consent or authorization, in respect of any security carried for the account of a customer to a person other than the customer, without the express written authorization of such customer.

(h) Sending of Notices

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

Notices for regular or special meeting of the shareholders may be sent by the Corporate Secretary by personal delivery or by mail or by facsimile or by email or any digital communication at least 28 days before the meeting. The notice includes the date, location, meeting agenda and its rationale and explanation and details of the issues to be considered, approved or ratified in the meeting. The notice is also posted on the Company's website and published in a newspaper of general circulation.

(i) Definitive Information Statements and Management Report

<i>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</i>	7 registered shareholder and over 130 trading participants as record holders under PCD Nominee Corporation
<i>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</i>	25 May 2016
<i>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</i>	25 May 2016

<i>State whether CD format or hard copies were distributed</i>	Together with the Notice of Meeting in paper form, the Definitive Information Statement and Management Reports dispatched to the shareholders in CD format with notice that hard copies of the Information Statement, Management Report and other meeting materials (in bold characters) will be provided to shareholders free of charge by the Company upon their request
<i>If yes, indicate whether requesting stockholders were provided hard copies</i>	Shareholders who preferred to have a hard copy of the Information Statement, Management Report and other meeting materials were provided with such paper copies.

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

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

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

2) *Treatment of Minority Stockholders*

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

The Company is committed to respect the rights of minority shareholders in accordance with the Corporation Code, its Articles of Incorporation and By-Laws of the Corporation. In line with this, the Company ensures that all shareholders are treated fairly and equitably and have the opportunity to participate effectively in and vote at the Shareholders' Meetings, either in person or by proxy. To facilitate the exercise of their shareholder rights, shareholders are informed of the rules, including voting procedures that govern Shareholders' Meetings. The Company encourages minority shareholder participation at

shareholders' meetings and ensures that the venue for such meeting is centrally located and easily accessible by public transportation. Resolutions on each agenda item are tabled separately to enable shareholders to vote for each item. Shareholders are given the opportunity to communicate their views and direct questions to Directors and Senior Management regarding the Company.

Under the Company's By-Laws, each holder of the Company's common share has full voting rights. Each stockholder is, in every meeting of stockholders, entitled to one vote for each share of the capital stock held by the stockholder. Significant corporate acts may be implemented only with the prior approval of shareholders. The Information Statement provided to the shareholders include information about the shareholder right of appraisal, dividend policies, voting rights and voting procedures, right to nominate candidates to the Board and nomination screening process.

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 also adopted a code of conduct on securities dealing which provide 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

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

In accordance with the Corporation Code, a shareholder has the right to nominate candidates for election to the Board of Directors. The Company's Nomination Committee is tasked to assess and determine of the persons nominated for election to the Board of Directors meet the qualification standards prescribed under the Corporation Code, the rules and regulations of the Securities & Exchange Commission, the By-laws of the Company and its Manual for Corporate Governance.

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.

As a publicly listed company, it is the policy of the Company that all corporate disclosures conform to applicable laws and regulations and that material information are disseminated in a non-exclusionary and non-selective way. Company disclosures pertaining to the Company, its operation, employees, directors or officers are reviewed and approved by Management and/or the Board for public dissemination. Corporate financial disclosures are reviewed by the Audit and Risk Management Committee and endorsed to the Board for its public release.

The Company recognizes that sound internal and external communications is fundamentally essential. Effective communication will help institutions, shareholders, staff, partners (supplier and clients) and other stakeholders to understand the Company's mission, values, objectives, and reasons behind it.

- 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.*

The Investor's Relations Office is primarily responsible for communicating to the investment community regarding the Company's performance, investment merits and company developments as well as handling inquiries from shareholders, investors and stock analysts.

Its main objective is to ensure that shareholders and the investing public are regularly, timely and clearly informed of the developments involving the Company, its strategies and prospects to promote greater understanding of the Company and serve as a feedback channel for shareholders and other stakeholders.

It adheres to the principles of transparency, fairness and integrity.

The reports and updates on Company matters are communicated by the Company during shareholder meetings and investor & press briefings, through the Company's website, press releases and disclosure statements (both structured and unstructured reports) and disseminated through electronic transmissions, mail, print and broadcast media, and face to face meetings.

SBS utilizes the following methods of communications for its stakeholders:

- Corporate Disclosures
- SBS Website
- Annual Reports
- Shareholders' Meeting
- Press Releases and Briefings

The Company's Investor Relations Officer is Ms. Sabrina Adamelle Poon-Sytengco as of January 1, 2017, and her contact particulars are as follows:

- Telephone: (02) 371 1111
- Fax No : (02) 371 1288
- Email : ir@sbsph.com

- 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?*

Major investments of the Company are evaluated and processed as follows:

1. The potential transaction is reviewed and evaluated initially by the Investment Office, and then by Management together with financial, tax and legal advisers as to its investment objectives and merits, financial effects, legal requirements and potential risks vis-à-vis other investment options or alternative measures.
2. The investment target is then examined and screened through a formal due diligence process.
3. An assessment of the risks and identification of risk mitigates or risk mitigation strategies are performed and evaluated.
4. The proposal is presented to the Executive Committee for their review and evaluation as to its investment merit.
5. Upon approval of the Executive Committee, the project proposal shall be endorsed to the Board of Directors for approval of the offer terms and authorization to negotiate the final terms and conditions for the transaction.
6. When an agreement have been reached on the final terms of definitive agreements with the seller, the sales transaction will be presented anew to the Board of Directors for approval and endorsement to the shareholders, as required by existing rules.
7. Upon approval of the Board and signing of the definitive agreements, the deal will be disclosed to the public as per requirement of SEC and PSE rules, subject to such shareholder and regulatory approvals being obtained.

Major divestments of the Company are evaluated and processed as follows:

1. The divestment proposal is reviewed and analyzed internally by Investment Office or the Management in relation to the Company's business objectives and how the divestment would effectively support the Company's growth.
2. If the divestment proposal is found to be meritorious, the proposal will be presented to the Executive Committee who will determine if the divestment would be carried out and the target selling price.
3. If the divestment option is considered, invitations for the sales bid will be disseminated and interested buyers will be required to sign non-disclosure and exclusivity agreements for the release of Company information in respect of the proposed asset for divestment and the conduct of a due diligence.
4. Purchase offers will be evaluated and screened by Investment Office, and presented to the Executive Committee for selection and approval.
5. Upon approval by the Executive Committee, it will authorize the negotiation of the final terms under certain given parameters. Once a consensus on the final terms of the definitive

agreement has been negotiated, the same will be presented to the Board for approval.

6. Upon approval by the Board, a binding agreement will be signed with the Buyer.
7. Disclosure to the public is made as per requirement of SEC and PSE rules.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
CY 2016	
<i>Chinese Language and Heritage Enrichment Program</i>	<i>Grade 1 students from St. Paul Makati School</i>
<i>Medical and Dental Mission</i>	<i>Indigent families of Barangay Lambakin, Marilao, Bulacan</i>
<i>Donation to the Philippine Cancer Society</i>	<i>Indigent Filipinos in need of medical assistance from the PCS</i>
<i>Educational assistance in the form of monetary support</i>	<i>Scholars of Mapua Institute of Technology and select students residing in Barangay Bungad</i>
CY 2017	
<i>Tree Planting Activity</i>	<i>Still in the process of considering which area to conduct activity</i>
<i>Donation of Medical Equipment to Philippine General Hospital Pediatric Unit</i>	<i>Still in the process of coordinating with PGH Pediatric Unit for roster of medical equipment</i>

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
Board of Directors	<p>The Board adopts a self-rating system to assess and evaluate performance collectively as a board, divisionally by committee and individually as a director.</p> <p>It uses the survey approach and requires each director to accomplish the survey using a numeric rating system on various quantitative and qualitative criteria.</p> <p>The results of the survey are summarized by the Corporate Secretary and disclosed to the Board.</p> <p>The results of the assessment is are discussed in a feedback session where areas for improvement are identified, and measures for improvement are determined.</p>	<p>The evaluation may cover membership accountability and governance, board operations, legal responsibilities, financial review, planning and relations with Management.</p>
Board Committees		
Individual Directors		
CEO/President	<p>The performance of CEO/President is evaluated through the Company evaluation system that includes the balance scorecard and progress discussion and reports.</p>	<p>The Company's evaluation system includes metrics on deliverables, CEO competencies on leadership and management, accomplishments, and development plan.</p>

N. INTERNAL BREACHES AND SANCTIONS

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

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under the Company's Corporate Governance Manual (CG Manual) as follows:

The following penalties shall be imposed, after notice and hearing, on the Company's directors, officers and staff in case of violation of any of the provision of the CG Manual:

- a. In case of first minor violation, the subject person shall be reprimanded.
- b. Suspension from office shall be imposed in case of second minor violation. The duration of the suspension shall depend on the gravity of the violation.

The commission of a third minor violation of the CG Manual by any member of the Board shall be a sufficient cause for removal from directorship.

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 Quezon City on 22 February 2017.


NECISTO U. SYTENGO

Chairman of the Board


GERRY D. TAN


Chief Executive Officer


LILIAN S. LINSANGAN

Independent Director


ROSALEO M. MONTENEGRO

Independent Director


VICTORINA B. LADRANGAN


Compliance Officer

FEB 28 2017

SUBSCRIBED AND SWORN to before me this _____ day of 20____, affiant(s) exhibiting to me their _____, as follows:

<u>NAME</u>	<u>PASSPORT NO.</u>	<u>DATE OF ISSUE/ PLACE OF ISSUE</u>
Necisto U. Sytengco	EC4081656	24 May 2015 DFA Manila
Gerry D. Tan	EC0816827	10 April 2015 PCG Hongkong
Lilian S. Linsangan	EB8946764	17 August 2013 DFA Manila
Rosaleo M. Montenegro	EC2236295	29 September 2014 DFA Manila
Victorina B. Ladrangan	EB6695544	7 November 2012 DFA NCR Central

Doc No. 482
Page No. 97
Book No. 147
Series of 2017


ATTY. LUIS M. DE VERA
NOTARY PUBLIC

UNTIL DECEMBER 31, 2017

PTR No. 3407437 / 04-03-2017 / G.C

IBP No. 12345 / 10-10-18 / Q.C.

ROLL No. 12345 / 04-03-2017 No. 0039847

Position: Notary Public, Quezon City

TIN No. 218-4-12345