

# COVER SHEET

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(Company's Full Name)

SBS PHILIPPINES CORPORATION  
(FORMERLY SYTENGCO PHILIPPINES  
CORPORATION)

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

NO. 10 RESTHAVEN STREET SAN  
FRANCISCO DEL MONTE QUEZON  
CITY

FORM TYPE  
[ ]

Department Requiring the Report  
[ ] [ ] [ ] [ ]

Secondary License Type, If Applicable  
[ ] [ ] [ ] [ ]

## COMPANY INFORMATION

Company's Email Address  
ir@sbsph.com

Company's Telephone Numbers  
3 7 1 - 1 1 1 1

Mobile Number  
[ ] [ ] [ ] [ ] [ ] [ ]

No. of Stockholders  
8

Annual Meeting  
Month/Day  
Last Friday of June

Fiscal Year  
Month/Day  
12/31

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person  
GERRY D. TAN

Email Address  
g.tan@sbsph.com

Telephone Number's  
(02) 371-1111

Contact Person's Address  
10 Resthaven Street, San Francisco del Monte, Quezon City



**SBS Philippines**  
CORPORATION

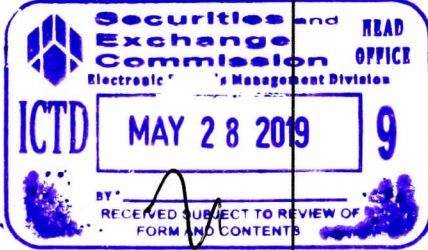
**2018 Integrated Annual Corporate Governance**

**Report**

SEC Form - IACGR

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INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT – SBS PHILIPPINES CORPORATION

	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<b>The Board's Governance Responsibilities</b>			
<p><b>Principle 1:</b> The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.</p>			
<b>Recommendation 1.1</b>			
<p>1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.</p>	Complied.	<p>The Company's Directors have the experience, qualifications and skills across a wide range of professional specialization, possessing a broad diversity of the background, skills and expertise to make a significant contribution to the Board, to the Company and to its subsidiaries. Collectively, it provides leadership and direction for the members of the Board and executive management.</p>	
<p>2. Board has an appropriate mix of competence and expertise.</p>	Complied.	<p>Their qualification standards are set out in the Company's Revised Manual of Corporate Governance <a href="http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Revised-Corporate-Governance-Manual.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Revised-Corporate-Governance-Manual.pdf</a></p>	
<p>3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.</p>	Complied.	<p>and Board Charter, which is posted in this link: <a href="http://www.sbsph.com/wp-content/uploads/2019/04/SBS-Board-Charter-27-March-2018.pdf">http://www.sbsph.com/wp-content/uploads/2019/04/SBS-Board-Charter-27-March-2018.pdf</a></p> <p>Specifically, the executive directors have a high level leadership experience in business administration with specialized expertise in the chemical trading and distribution activities involving general business and supply chain management, sales and marketing, accounting and finance, regulatory compliance and chemical safety management. Its non-executive directors, including its three (3) independent directors, have specialized competencies in audit and internal controls, corporate governance and risk management, business development and strategy formulation. There is also an appropriate degree of female representatives and age diversity in the Board</p>	

		<p>composition.</p> <p>The biographical information of the Directors and their qualifications, including their present occupation and business experience, are described in the Company's Annual Report (17-A) and Information Statement (20:IS) duly submitted to the SEC and PSE. A copy of the said reports are attached herein for reference.</p>	
<b>Recommendation 1.2</b>			
<p>1. Board is composed of a majority of non-executive directors.</p>	<p>Complied.</p>	<p>There is sufficient independent oversight in the Board, being comprised of three (3) independent directors, two (2) non-executive directors and four (4) executive directors.</p> <p>The individual director qualifications are described in the Company's Annual Report (17-A) and Information Statement (20:IS), copies of which are attached herein for reference.</p>	
<p>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</p>	<p>Complied.</p>	<p>Section B 1.7 (m) of the Company's Revised Manual for Corporate Governance and Section B.2.2 (i) of the Board Charter require the provision of a continuing development program for the members of the Board.</p> <p>The various seminars and courses attended by the directors for the period 2015-2017 are listed in the Annual Corporate Governance Report Updated for 2017, available on this link:  <a href="http://www.sbsp.com/wp-content/uploads/2018/03/ACGR-Updated-6feb18.pdf">http://www.sbsp.com/wp-content/uploads/2018/03/ACGR-Updated-6feb18.pdf</a></p> <p>A comprehensive list of the 2018 training attended by the directors is attached herewith as ANNEX E.</p>	

2. Company has an orientation program for first time directors.	Complied	New directors go through an orientation program whereby they are briefed by the Corporate Secretary on the Company's Articles of Incorporation and Bylaws, 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.	
3. Company has relevant annual continuing training for all directors.	Complied.	<p>This policy is provided in the Section B 1.7 (m) of the Corporation's Revised Manual for Corporate Governance and Sections B.1 and B. 2.2 (i) of the Board Charter.</p> <p>The various seminars and courses attended by the directors for the period 2015-2017 are listed in the Annual Corporate Governance Report Updated for 2017.  <a href="http://www.sbsp.com/wp-content/uploads/2018/03/ACGR-Updated-6feb18.pdf">http://www.sbsp.com/wp-content/uploads/2018/03/ACGR-Updated-6feb18.pdf</a></p> <p>A comprehensive list of the 2018 training attended by the directors is attached herewith as ANNEX E.</p>	
Recommendation 1.4			
1. Board has a policy on board diversity.	Complied.	<p>Sections B 1 and 1.1 of the Corporation's Revised Manual for Corporate Governance and Article 1.2 of the Board Charter set out the policy on board diversity.</p> <p>Aside from diversity in skills, competence and knowledge, there is an appropriate degree of female representatives and age diversity in the Board composition. The Board is composed of two female directors, while about half of the board comprises of directors in the 30s and 50s and the rest over 60 years of age. In fact, it is worth noting that the Corporate Secretary of the Board is also a female.</p> <p>The biographical information of the Directors are described in the Company's Annual Report (17-A) and Information Statement (20:IS) duly submitted to the SEC and PSE.</p>	

Optional: Recommendation 1.4			
<p>1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.</p>	<p>Not complied</p>	<p>Sections B 1 and 1.1 of the Corporation's Revised Manual for Corporate Governance as well as the Board Charter set out the general policy of the Company for board diversity and its objective. However, no explicit measurable objectives have been set specifically for implementing its board diversity policy.</p> <p>While the Board and the Corporate Governance, Nomination &amp; Remuneration Committee consider diversity in the Board's composition in its assessment of a proposed candidate for director to provide for a diverse mix of background, skills and expertise, personal attributes and abilities in the Board so as to help and make a significant contribution to Board activities and to the Company. The committee chooses the best people based on their qualifications.</p> <p>The pages 19 and 20, 33-37 of the 2018 Annual Report of Management to the Shareholders reports on the diverse selection of individual comprising the members of the Board of the Directors. The link to our website as follows: <a href="http://www.sbsp.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf">http://www.sbsp.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf</a></p> <p>The biographical information of the Directors and their qualifications, including their present occupation and business experience, are described in the Company's Annual Report (17-A) and Information Statement (20:IS) duly submitted to the SEC and PSE.</p>	<p>While no explicit measurable objectives have been set specifically for implementing the board diversity policy, the Board and the Corporate Governance, Nominating &amp; Remuneration Committee ensure that there is sufficient diversity in the Board's composition as their assessment and selection of a proposed candidate for director take into consideration diversity in background, skills and expertise, personal attributes and abilities so as to make a significant contribution to the Board, to the Company.</p> <p>The new directors elected to the board in the past 2 years were evident of the diversity in background, age, gender, skills and expertise of the directors.</p>
Recommendation 1.5			
<p>1. Board is assisted by a Corporate Secretary.</p>	<p>Complied.</p>	<p>Atty Christine P. Base is the appointed Corporate Secretary and assists the Board in the performance of its duties and responsibilities. She does</p>	

2. Corporate Secretary is a separate individual from the Compliance Officer.	Complied.	not hold any other position in the Corporation, whether as a member of the Board of Directors or as compliance officer.  Her biographical information and qualifications, including her present occupation and business experience, are described in the Company's Annual Report (17-A) and Information Statement (20:IS) duly submitted to the SEC and PSE.  Her duties as Corporate Secretary are described in Part B, Section 3.4 of the Revised Manual of Corporate Governance.	
3. Corporate Secretary is not a member of the Board of Directors.	Complied.	Atty. Christine C. Base, Corporate Secretary, has attended the following trainings on Corporate Governance (also listed in the Annual Corporate Governance Report Updated for 2017 under Item A.6 on trainings and external courses attended by Directors and Senior Management.  For 2018, she attended: <i>Enterprise Risk Management, a 4-hour session conducted by SGV on December 5, 2018</i>	
4. Corporate Secretary attends training/s on corporate governance.	Complied.	As a general rule, agenda materials for consideration of the Board are distributed to them at least 5 business days before the scheduled meeting.	
<b>Optional: Recommendation 1.5</b>			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	Complied.	As a general rule, agenda materials for consideration of the Board are distributed to them at least 5 business days before the scheduled meeting.	
<b>Recommendation 1.6</b>			
1. Board is assisted by a Compliance Officer.	Complied.	Aylene Sytengco is the appointed Compliance Officer. She assists the Board in the performance of its duties and responsibilities. She is also the	

<p>2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.</p>	<p>Complied.</p>	<p>concurrent CFO of the Company and is part of the senior executive officers. She is also a member of the Board of Directors.</p> <p>Her biographical information and qualifications, including her present occupation and business experience, are described in the Company's Annual Report (17-A) and Information Statement (20:IS) duly submitted to the SEC and PSE.</p>	
<p>3. Compliance Officer is not a member of the board.</p>	<p>Not Complied.</p>	<p>Her duties as Compliance Officer are described in Part A, Section 3.5 of the Revised Manual of Corporate Governance</p>	<p>For the period of 2018 covered by this report, the Compliance officer from January to March 31, 2018 is Ms Regina Simona de Guzman who was not a member of the board. She resigned as such effective March 31, 2018 and replaced by Ms Aylene Y. Sytengco while to Company continue to seek qualified candidate as replacement for this position that is not a member of the board.</p>
<p>4. Compliance Officer attends training/s on corporate governance.</p>	<p>Complied.</p>	<p>The Compliance Officer has attended the following trainings on Corporate Governance from 2016 to 2018.</p> <ol style="list-style-type: none"> <li>1. <i>Distinguished Corporate Governance Speaker Series with the following topics: Corporate Governance Update, Anti-Corruption Practices Environment, Social &amp; Governance, Creating a Culture of Innovation, and Fraud, Whistleblowing, Anti- Bribery, &amp; Anti- Corruption Process, 4-hour session conducted by the Institute of Corporate Directors on June 9, 2016;</i></li> <li>2. <i>Distinguished Corporate Governance Speaker Series with the following topics: the New Corporate Governance Code, Challenges and Issues on Doing the Right Thing, Investors'</i></li> </ol>	



		<p><i>Perspective on Environment, Social, and Governance, Corporate Social Responsibility: Issues and Perspective, 4-hour session conducted by the Institute of Corporate Directors on March 14, 2017</i></p> <p>3. <i>Distinguished Corporate Governance Speaker Series with the following topics: People First for Business Success, Total Rewards Management: Ensuring Talent Engagement and Organizational Performance, The Psychology of Pay: Balancing the Carrot and Stick for Effective Compensation</i></p>	
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**Principle 2:** The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

**Recommendation 2.1**

1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	Complied.	<p>The Board of Directors attaches great importance to responsible and prudent corporate governance and to this end perform their duties and responsibilities to the best of their abilities. The specific responsibilities of a Director is mentioned in the Board Charter Part B (2.2).</p> <p>The Board acts with due diligence and care as illustrated in this link:</p> <p><a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=c81884be4d254d1343ca035510b6ec2b#sthash.u5UsOvGx.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=c81884be4d254d1343ca035510b6ec2b#sthash.u5UsOvGx.dpbs</a></p>	
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**Recommendation 2.2**

<p>1. Board oversees the development, review and approval of the company's business objectives and strategy.</p>	<p>Complied.</p>	<p>Sections A.1.6 and 1.7 of the Corporation's Revised Manual for Corporate Governance set out the Board responsibility for formulating the Corporation's business objectives and defining its strategic priorities for sustainability.</p>	
<p>2. Board oversees and monitors the implementation of the company's business objectives and strategy.</p>	<p>Complied.</p>	<p>The Management Committee (Mancom), comprising of senior and middle management executives from different functions and departments of the Corporation initiates the process for the development of the strategic plan by determining material factors affecting the business and operation, identifying opportunities and risks, and exploring new business models for growth. The medium- and long-term strategic objectives proposed by Management were then assessed and reviewed by the Board. The review involved a series of discussions and presentations, and drew on the directors' extensive experience, knowledge and insight.</p> <p>Once the strategic objectives were formulated and agreed upon with the Board, the Mancom developed the business plan identifying the strategic projects and associated growth initiatives to implement the plan. This was further reviewed by the Board, who approved and determined the strategic priorities for implementation.</p> <p>The Board and Management review the strategy of the Group regularly. In 2018, the Board reviewed the Group's annual business plans and budget in relation to these strategies to oversee Management's performance in relation to such strategies.</p> <p>The strategic direction and business plans of the Group are explained in the Chairman's Message (page 7) and President's Report (page 12) found in the 2017 Annual Report of Management to the Shareholders delivered last June 22, 2018 during the Annual Stockholders Meeting. <a href="http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-2017.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-2017.pdf</a></p>	
<p><b>Supplement to Recommendation 2.2</b></p>			

<p>1. Board has a clearly defined and updated vision, mission and core values.</p>	<p>Complied.</p>	<p>The Company's vision and mission statement and core values are disclosed in the Annual Report of Management to the Shareholders.</p> <p>The Board reviews the Company's vision and mission at least once a year and, when necessary, updates it.</p>	
<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>	<p>Complied.</p>	<p>For better strategy execution, the Board has adopted the Balance Scorecard system to better communicate the Corporation's business strategy across the organization and track performance. Progress against the target set in the Balance Scorecard is reviewed bi-monthly at the Mancom level. The Company performance, financial statements and management's discussion and analysis and results of operation are reviewed on quarterly basis at the Board level.</p>	
<p><b>Recommendation 2.3</b></p>			
<p>1. Board is headed by a competent and qualified Chairperson.</p>	<p>Complied.</p>	<p>Mr. Necisto U. Sytengco is the Founder of the business of the Company and has been its Chairman of the Board since the organization of the Company in 2001. He 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.</p> <p>His biographical information and qualifications, including his present occupation and business experience, are described in the Company's Annual Report (17-A) and Information Statement (20:IS) duly submitted to the SEC and PSE.</p>	
<p><b>Recommendation 2.4</b></p>			

<p>1. Board ensures and adopts an effective succession planning program for directors, key officers and management.</p>	<p>Not Complied.</p>	<p>Ensuring a smooth leadership succession is among the key priorities of the Corporation.</p> <p>The Board is setting up the program for senior officers and directors.</p>	<p>An organization-wide leadership succession framework has been initiated, providing for senior management talent pool and succession plans. Employees with potential are given opportunities to hone their leadership skills through trainings and mentoring programs to groom them for senior posts.</p>
<p>2. Board adopts a policy on the retirement for directors and key officers.</p>	<p>Complied</p>	<p>The Company's By-Laws provide for a one-year term for elected Directors who may stand for re-election. All nominees for election or re-election for Board membership undergo an assessment process through the Corporate Governance, Nomination and Remuneration Committee who screens the candidates in line with the Company's strategic goals and risk profile, needs of the Board and requirement to refresh and recruit new directors and key officers.</p> <p>The Company has also implemented a retirement policy for key officers.</p>	<p>The Company expects to complete the framework in 2019 and put specific program in place.</p>

**Recommendation 2.5**

<p>1. Board aligns the remuneration of key officers and board members with long-term interests of the company.</p> <p>2. Board adopts a policy specifying the relationship between remuneration and performance.</p>	<p>Complied.</p> <p>Complied.</p>	<p>Other than the payment of reasonable per diem allowances as discussed below, there are no standard 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.</p> <p>Currently, each independent and non-executive Director receives a per diem allowance of P25,000.00 for every attendance in regular meetings and special meetings of the Board of Directors, respectively. In addition, the independent and non-executive directors also receive a per diem allowance of P10,000.00 for each Board Committee meeting attended. Executive directors receive a per diem allowance of P2,500.00 for each Board meeting attended.</p> <p>Executive directors are basically compensated as part of senior management and are provided compensation and benefits that rewards the officer's performance in supporting the business strategies and meeting defined goals.</p>	
<p>3. Directors do not participate in discussions or deliberations involving his/her own remuneration.</p>	<p>Complied.</p>	<p>No director is involved in deciding his/her own remuneration. Non-executive directors do not receive options, share-based incentives or bonuses.</p> <p>The director compensation is also described in the Company's Annual Report (17-A) and Information Statement (20:IS) duly submitted to the SEC and PSE.</p>	
<b>Optional: Recommendation 2.5</b>			
<p>1. Board approves the remuneration of senior executives.</p>	<p>Complied.</p>	<p>The Corporate Governance, Nomination and Remuneration Committee had approved the remuneration package of Directors and the President &amp; Chief Executive Officer, and will be tasked to review them as necessary.</p>	

<p>2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.</p>	<p>Complied.</p>	<p>The variable remuneration package of the President &amp; CEO and Top 4 senior officers is based on achievement of certain target performance criteria linked with the annual budget and other parameters set in the balance scorecard.</p>	
<p><b>Recommendation 2.6</b></p>			
<p>1. Board has a formal and transparent board nomination and election policy.</p>	<p>Complied.</p>	<p>The Board has adopted a formal and transparent board nomination and election policy which is made part of Section 4 of the Board Committee Charter of the Corporate Governance, Nomination and Remuneration Committee Charter, a copy of which is attached herein for reference.</p> <p>This policy is also disclosed in the Definitive Information Statement provided to the Shareholders in connection with the holding of the Corporation's Annual Stockholders' Meeting.</p>	
<p>2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.</p>	<p>Not complied</p>	<p>In accordance with the mandate provided under Article III, Section 11 of the Company's By-Laws, the Nomination Committee (now named Corporate Governance Nomination and Remuneration (CGNR) Committee) has prescribed the procedures for the nomination and election of directors as well as screening policies and parameters in the review of the qualifications of the nominees for election to the Board of Directors. The qualification standards for Independent directors and directors in general are also set out in the Company's Manual of Corporate Governance.</p>	<p>Alternative Compliance The Board has adopted a formal and transparent board nomination and election policy since 2017 which is made part of Section 4 of the Board Committee Charter of the Corporate Governance, Nomination and Remuneration Committee Charter. The procedure and criteria for board nomination and election is also provided in the Information Statement</p>

		<p>In accordance with the Corporation Code, any shareholder, including minority shareholders, has a right to nominate candidates to the Board. The procedures for the Board nomination and election are incorporated in the Committee Charter of the Nomination Committee (now named Corporate Governance Nomination and Remuneration (CGNR) Committee) which has been adopted by the Board on March 5, 2015 and amended further on May 11, 2017.</p> <p>This policy is disclosed in the Section 4 of the Board Committee Charter of the Corporate Governance, Nomination and Remuneration Committee Charter. The procedure and criteria for board nomination and election is also provided in the Information Statement provided to the Shareholders in connection with the holding of the Annual Stockholders' Meeting for the election of directors, among others.</p>	<p>provided to the Shareholders in connection with the holding of the Annual Stockholders' Meeting for the election of directors, among others.</p> <p>This practice not only addresses the same objectives to be achieved by the incorporation of such policies in the CG Manual but it also better ensures that this is communicated directly and adopted by the Corporate Governance, Nomination and Remuneration Committee who is tasked to implement the policy.</p> <p>The Board nomination and election policy will be added into the company's Manual on Corporate Governance in the upcoming revision.</p>
<p>3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.</p> <p>4. Board nomination and election policy includes how the board shortlists candidates.</p> <p>5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in</p>	<p>Complied.</p> <p>Complied.</p> <p>Complied.</p>	<p>The Board nomination and election policy provides that written nominations by the stockholders shall be received by the corporation at least 60 days before the date of the Annual General Meeting of the Stockholders. In case of a vacancy in the Board other than removal of a director or expiration of term, the CGNR Committee shall identify and recommend, for approval of the Board, nominees to fill Board vacancies as and when they arise. In identifying suitable candidates, the CGNR Committee may make use of professional search firms or services of external advisers to facilitate the search for qualified candidates to the Board.</p> <p>This policy is disclosed in the Section 4 of the Board Committee Charter of the Corporate Governance, Nomination and Remuneration Committee Charter.</p>	

the nomination, election or replacement of a director.		When the CGNR Committee reviewed and proposed amendments to its charter on May 11, 2017, it made an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director as required under the guidelines set for nomination and election procedures and criteria.	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Complied.	The Board and CGNR Committee's assessment of a proposed candidate involve considerations of the diversity in the Board's composition including a review of the nominee's experience, specialized expertise in the industry, understanding of issues affecting the Company, as well as the current composition of the Board, the balance of management and independent directors, the need for independent oversight and evaluations.	
<b>Optional: Recommendation to 2.6</b>			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	Complied.	In 2018, in search of candidates for independent directors, the Company sought the assistance of the Institute of Corporate Directors to recommend candidates from their roster of ICD members who have undergone the professional directors program.	
<b>Recommendation 2.7</b>			



<p>1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.</p>	<p>Complied.</p>	<p>The Company has adopted written policies regarding transactions with related persons, the Related Party Transaction Policy and Conflict of Interests Policy a copy of which is attached herein for reference.</p> <p>Under the Conflict of Interests Policy, all directors, officers and employees have to declare any interest which could conflict with the Company's interest and abstain from voting or approving on matters in which they have an interest.</p>	
<p>2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.</p>	<p>Complied.</p>	<p>The Company's Related Party Transaction Policy sets the guidelines for the proper reporting, review and approval of transactions between the Company and/or its subsidiaries with any of its directors, officers, significant shareholders (beneficial share ownership of more than 10%), or certain entities or persons related to them ("Related Parties") with related parties to ensure that transactions entered by the Company or its subsidiaries with related parties will be on terms no less favourable to the Company and/or subsidiaries than those entered into with unrelated parties on arm's length normal commercial terms and will not be prejudicial to the Company, its subsidiaries and its minority shareholders.</p>	
<p>3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.</p>	<p>Complied.</p>	<p>In 2018, some of the related party arrangements approved pursuant to the policy are the related party lease arrangements, related party sale and purchase of goods transactions, and investments in affiliate companies owned by directors and officers.</p>	
<p><b>Supplement to Recommendations 2.7</b></p>			

<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	<p>Complied.</p>	<p>Under Related Party Transaction Policy, related party transactions, either individually or part of a series of transactions, other than recurrent related party transactions of revenue or trading nature or those necessary for its day-to-day operations, which exceeds Three Million Pesos (PhP3,000,000.00) in value per year shall be subject to the review and approval of the Audit, Risk Management and Related Party Transaction Committee.</p> <p>If the related party transaction if exceeds Ten Million Pesos (PhP 10,000,000.00) the same shall be further subject to the approval by the Board of Directors, and shall require further the approval of at least two independent directors who have no interest in the transaction.</p> <p>Compensation of directors and chief executive officer will be approved by the Remuneration Committee.</p>	
<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	<p>Not complied.</p>	<p>In lieu of a specific requirement for approval by majority vote of non-related/ public shareholders of transactions with related parties, the policy adopted by the Board requires the approval by at least two independent directors of the transaction with related parties exceeding the threshold of P10 million in value in the ARRPT Committee where it is composed of 5 members, 3 of which are independent directors.</p>	<p>Alternative Compliance In lieu of a specific requirement on approval by majority vote of non-related/ public shareholders of transactions with related parties, the policy adopted by the Board requires the approval by at least two independent directors of the transaction with related parties exceeding the threshold of P10 million in value. The independent directors act on behalf of the minority shareholders in approving or disapproving related party transactions, and all its act are then subject for ratification by the all</p>

			the shareholders during the ASM.
<b>Recommendation 2.8</b>			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Complied.	<p>Under Section B. 1.7 (q) of the Company's Revised Manual of Corporate Governance, it is the duty of the Board to approve the selection and appointment of the Chief Compliance Officer, the Chief Risk Officer and Chief Audit Executive.</p> <p>The Company's Bylaws (a copy of which is attached for reference) also provides for the duty of the Board to select and appoint the Chief Executive Officer.</p> <p>The list of individuals comprising the company's Management Team is available under the Company's website at the following link:  <a href="http://www.sbsp.com/directors-officers/">http://www.sbsp.com/directors-officers/</a></p>	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	Not Complied.		For the period 2018 under review, the Chairman conducts the assessment of the performance of the CEO. The CEO, in coordination with the Board Committees, assesses the performance of the control function heads.
<b>Recommendation 2.9</b>			

1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	Complied.	The Board has adopted the Balance Scorecard system for evaluation of executive performance.	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	Complied.	Same as above.	
<b>Recommendation 2.10</b>			
1. Board oversees that an appropriate internal control system is in place.	Complied.	<p>Under Section B. 1.7 (f) of the Company's Revised Manual of Corporate Governance the Board has the responsibility to ensure the adoption, adequacy and effectiveness of organizational and operational internal controls. Further, under the Audit, Risk Oversight and Related Party Transaction Committee Charter, the Committee together with the Internal Auditor Monitor and review, together with the Company's internal audit division, the adequacy and effectiveness of the Company's management, financial and accounting controls.</p> <p>A discussion of the Company's internal control systems is provided in the Corporate Governance Section of the Annual Report of Management to the Shareholders.</p> <p>As part of the internal control system, the Company has</p>	

		adopted a Conflict of Interest Policy attached herein for reference, providing the framework for conflict avoidance and management.	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	Complied.		
3. Board approves the Internal Audit Charter.	Complied.	A copy of the Internal Audit Charter is attached herein for reference.	
<b>Recommendation 2.11</b>			
<p>1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.</p> <p>2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management</p>	Complied.	<p>Section B 1.7 (g) of the Company's Revised Manual of Corporate Governance sets out the Board's responsibility to ensure that a sound ERP system is in place.</p> <p>The risk management policy of the Company and the effectiveness of the risk management strategies adopted by the Company are discussed in its Annual Corporate Governance Report Updated for 2017 on page 62 to 70.</p> <p>In addition, the Company is in the process of enhancing its risk management systems and is currently developing a formal enterprise-wide integrated risk management framework for a more comprehensive and coordinated risk response strategy.</p>	

strategies.			
<b>Recommendation 2.12</b>			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	Complied.	A copy of the Board Charter is attached herein for reference.	
2. Board Charter serves as a guide to the directors in the performance of their functions.	Complied.		
3. Board Charter is publicly available and posted on the company's website.	Complied.	Please see the link: <a href="http://www.sbsph.com/directors-officers/">http://www.sbsph.com/directors-officers/</a>	
<b>Additional Recommendation to Principle 2</b>			
1. Board has a clear insider trading policy.	Complied.	A copy of the Company's Insider trading policy is attached herein for reference.	
<b>Optional: Principle 2</b>			

1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	Complied.	Any such transaction will be governed by the Related Party Transaction Policy of the Company which requires transactions with related parties to be on terms no less favorable to the Company than those entered into with unrelated parties on arm's length normal commercial terms and should not be prejudicial to the minority shareholders.	
2. Company discloses the types of decision requiring board of directors' approval.	Complied	Section B 1.7 of the Company's Revised Manual of Corporate Governance and Section 2.1 of the Board Charter list the matters under the responsibility and authority of the Board to act upon. Significant matters approved by the Board are immediately disclosed by the Company through the PSE Edge Disclosure System and reported to the SEC under SEC Form 17-C, copies of which are available in the Company.	
<p><b>Principle 3:</b> Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.</p>			
<p><b>Recommendation 3.1</b></p>			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	Complied.	Section B.2 of the Company's Revised Manual of Corporate Governance sets out the standing committees of the Board.	
<p><b>Recommendation 3.2</b></p>			

<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>Complied.</p>	<p>Section B.2.1 of the Company's Revised Manual of Corporate Governance and the ARRPT Charter sets out duties and responsibilities of the Audit, Risk Oversight and Related Party Transaction (ARRPT) Committee, including its responsibility to recommend for the appointment and removal of the Company's external auditor.</p>	
<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>Complied.</p>	<p>The composition of the ARRPT Committee is set out in Section B.2.1 of the Company's Manual of Corporate Governance and ARRPT Committee Charter (terms of reference).</p> <p>Information on the chairperson and members of the ARRPT Committee, including their qualifications and type of directorship, the background, knowledge, skills, and/or experience are available through the Company's website at the following link :</p>	
<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>Complied.</p>	<p><a href="http://www.sbsp.com/wp-content/uploads/2019/05/Background-information-on-ARRPT-Committee-Members_01-2019.pdf">http://www.sbsp.com/wp-content/uploads/2019/05/Background-information-on-ARRPT-Committee-Members_01-2019.pdf</a></p>	
<p>4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.</p>	<p>Complied.</p>		



Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Complied.	Attached is a copy of the Report of the ARRPT Committee to the Board of its activities and accomplishment in 2018 confirming the following:  1. Its review and approved all audit and non audit services (tabulation of proxy votes for ASM) rendered by Punongbayan & Araullo to the SBS and the related fees for such services;  2. Meeting with the external audit team without anyone from management present	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	Complied.		
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	Complied.	Attached is a copy of the Report of the ARRPT Committee to the Board of its activities and accomplishment in 2018 confirming that the Committee held a total of 6 formal meetings in 2018 in addition to informal executive sessions held. The ARRPT Charter, set the meeting of the audit committee to be held on a quarterly basis or as often as may be necessary.  The ARRPT Charter, provide for the authority of the Committee to appoint and remove the Internal Auditor. be necessary.	
2. Audit Committee approves the appointment and removal of the internal auditor.	Complied.		

Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	Complied.	<p>Section B 2.2 of the Company's Revised Manual of Corporate Governance, and the Corporate Governance, Nomination and Remuneration (CGNR) Committee Charter, provide for the organization of the CGNR which was established by the Board in 2017 and its functions.</p> <p>The CGNR Committee (previously the Nomination Committee) considered candidates for Board membership who have the experience, qualifications and skills to make a significant contribution to the Board, to the Company and its subsidiaries in line with the Company's strategic thrust.</p>	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	Complied.	<p>The composition of the CGNR Committee is set out in Section B.2.2 of the Company's Manual of Corporate Governance and CGNR Committee Charter (terms of reference), Information on the chairman and members of the CGNR Committee, including their qualifications and type of directorship, the background, knowledge, skills, and/or experience are available through the Company's website at the following link :</p> <p><a href="http://www.sbsp.com/wp-content/uploads/2019/05/Background-information-on-CGNR-Committee-Members-01-2019.pdf">http://www.sbsp.com/wp-content/uploads/2019/05/Background-information-on-CGNR-Committee-Members-01-2019.pdf</a></p>	
3. Chairman of the Corporate Governance Committee is an independent director.	Complied.		
Optional: Recommendation 3.3.			

<p>1. Corporate Governance Committee meet at least twice during the year.</p>	<p>Complied</p>	<p>In 2018, the CGNR Committee held two (2) meetings wherein the Committee reviewed the 2017 Integrated Annual Corporate Governance Report (i-ACGR), reviewed the qualifications of the nominees for election to the Board of Directors during the ASM, including those for independent directors, approved and endorsed to the Board the list of eligible nominees for election to the Board of Directors, conducted a search for new independent directors and reviewed the qualifications of nominees for appointment as new independent directors of the Company, and conducted the annual Board performance assessment.</p>	
<p><b>Recommendation 3.4</b></p>			
<p>1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.</p>	<p>Not Complied</p>	<p>Alternative Compliance The Board has included risk management among the responsibilities of the Board's Audit Committee. Thus, the Board has an Audit, Risk Oversight and Related Party Transaction Committee. (ARRPT Committee)</p>	<p>The size of the company does not justify setting up a separate BROC. The functions of a BROC are already part of the scope of work of the ARRPT committee. The company has included risk management in the company's Audit Committee having the same composition of members.</p>
<p>2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.</p>	<p>Not Complied</p>	<p>Alternative Compliance The Audit, Risk Oversight and Related Party Transaction Committee has three independent directors, and the committee chairman is also an independent director.</p>	<p>The size of the company does not justify setting up a separate BROC. The functions of a BROC are already part of the scope of work of the ARRPT committee. The company has included risk management in the company's Audit Committee having the same composition of members.</p>

3. The Chairman of the BROCC is not the Chairman of the Board or of any other committee.	Not Complied		The Chairman of the ARRPT Committee is an independent director and is not a Chairman of any other committee. However, if BROCC has to be considered separate from the Audit Committee, then the Company is not compliant.
4. At least one member of the BROCC has relevant thorough knowledge and experience on risk and risk management.	Complied	In the period under review 2018, the Chairman of the ARRPT was formerly the Chairman and President of the Association of Certified Fraud Examiners Philippines in 2013-2014 and 2009-2012, respectively. She has been a speaker and lecturer in various local and international conferences and seminars on risk management, corporate governance, best practices of Audit Committee, and fraud detection and prevention.	
<b>Recommendation 3.5</b>			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	Complied.	The Company has adopted written policies regarding transactions with related persons, the Related Party Transaction Policy which has been attached for reference.	

<p>2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.</p>	<p>Complied.</p>	<p>The committee is composed of at least three non-executive directors and an independent director as its committee chairman.</p>	
<b>Recommendation 3.6</b>			
<p>1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.</p>	<p>Complied.</p>	<p>Please see attached for reference the charters of the different committees of the Company.</p> <p>Executive Committee Charter</p> <p>Audit, Risk Oversight, Related Party Transaction Committee</p> <p>Corporate Governance, Nomination and Remuneration Committee</p>	
<p>2. Committee Charters provide standards for evaluating the performance of the Committees.</p>	<p>Not Complied.</p>		<p>The ARRPT Committee and CGNR Committee Charters provide standards for evaluating the performance of the Committees. The Executive Committee Charter will be reviewed at a later date for required amendments to comply with the recommendation on performance evaluation of the committee.</p>

<p>3. Committee Charters were fully disclosed on the company's website.</p>	<p>Complied</p>	<p>Yes. You may refer to the following links:</p> <p><a href="http://www.sbsp.com/wp-content/uploads/2019/05/Excom-charter.pdf">http://www.sbsp.com/wp-content/uploads/2019/05/Excom-charter.pdf</a></p> <p><a href="http://www.sbsp.com/wp-content/uploads/2019/05/ARMRPTC-charter-amended-2017.pdf">http://www.sbsp.com/wp-content/uploads/2019/05/ARMRPTC-charter-amended-2017.pdf</a></p> <p><a href="http://www.sbsp.com/wp-content/uploads/2018/03/Corporate-Governance-Nomination-and-Remuneration-Committee-terms-of-reference-AMENDED-2017-1.pdf">http://www.sbsp.com/wp-content/uploads/2018/03/Corporate-Governance-Nomination-and-Remuneration-Committee-terms-of-reference-AMENDED-2017-1.pdf</a></p>	
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**Principle 4:** To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

**Recommendation 4.1**

<p>1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.</p>	<p>Complied</p>	<p>The board conducts its meetings in person. For directors who are not present and would wish to join via teleconferencing, their attendance and vote are counted.</p> <p>The 2018 Annual Report to the Shareholders provides for the attendance of the board of directors (see Page 39) on this link: <a href="http://www.sbsp.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf">http://www.sbsp.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf</a></p>	
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2. The directors review meeting materials for all Board and Committee meetings.	Complied	The directors actively review the board and committee materials prior to the meeting and ask for clarificatory questions when necessary.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	Complied	The directors actively participate in Board and Committee meeting discussions and ask questions or explanation on topics that they deemed requires clarification.	
<b>Recommendation 4.2</b>			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	Complied	The Company's revised manual on corporate governance provides for the limit in serving publicly listed companies.  You may refer to the 2018 Annual Report SEC 17-A for the information on the directorship of the Board of Directors.	
<b>Recommendation 4.3</b>			
1. The directors notify the company's board before accepting a directorship in another company.	Complied.	While the company does not have a specific policy for notifying the board about other board appointments, it has been the practice being taken.	The Board will consider to adopt this as a formal policy in the future.

<b>Optional: Principle 4</b>			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Complied.	Executive directors of the company do not serve in more than two boards of listed companies outside of the group.	
2. Company schedules board of directors' meetings before the start of the financial year.	Not Complied.		The board of directors in its first meeting of the fiscal year decides on the schedule of the regular meetings for the year.
4. Board of directors meet at least six times during the year.	Complied.	The board met 7 times for 2018.	
5. Company requires as minimum quorum of at least 2/3 for board decisions.	Not complied.		The BOD only requires majority attendance for a quorum. However, the board has always had complete if not more than 2/3 <sup>rd</sup> attendance in its meetings.
<b>Principle 5:</b> The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
<b>Recommendation 5.1</b>			



1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	Complied	The company's manual on corporate governance attached herein provides for the requirement to have at least 3 Independent Director or 1/3 of the board whichever is higher.	
<b>Recommendation 5.2</b>			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	Complied	The qualifications of independent directors are provided for in the Company's revised manual on corporate governance attached herein.	
<b>Supplement to Recommendation 5.2</b>			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	Complied	The Company's Information Statement (20-IS) which is attached herein for reference provides for this.	
<b>Recommendation 5.3</b>			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	Complied	The Company's independent directors serve as such for a period of one year or until its successor is elected. The Company's revised manual on corporate governance provides that an independent director who has served the maximum cumulative term of 9 years as independent director shall be disqualified from being re-elected as independent director of the Company.	

2. The company bars an independent director from serving in such capacity after the term limit of nine years.	Complied	Please refer to the revised manual on corporate governance attached herein.	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	Complied	The Company never had such incident as of issuance of this report.	
<b>Recommendation 5.4</b>			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Complied.	Necisto U. Sytengco holds the chairmanship of the board of directors while Gerry D. Tan is the president.	

<p>2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.</p>	<p>Complied</p>	<p>The revised manual on corporate governance provides the following:</p> <p>The President/CEO, in addition to his duties and responsibilities under the By-Laws, the Chief Executive Officer shall have the following responsibilities:</p> <ul style="list-style-type: none"> <li>a) Provide general supervision of the business, affairs, and property of the Company and over its employees and officers;</li> <li>b) see that all orders and resolutions of the Board of Directors are carried into effect;</li> <li>c) Submit to the Board as soon as possible after the close of each fiscal 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; and</li> <li>d) Report to the Board from time to time all matters within his knowledge which will have a bearing on the interest of the Company and may require to be brought to the Board's attention.</li> </ul> <p>The Chairman of the Board on the other hand has the following responsibilities:</p> <ul style="list-style-type: none"> <li>a. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and</li> </ul>	
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contentious issues that will significantly affect operations;

- b. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors;
- f. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on; and
- g. Maintain qualitative and timely lines of communication and information between the Board and Management.

The Chairman and the CEO are not related by affinity or consanguinity.

#### Recommendation 5.5

<p>1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.</p>	<p>Complied</p>	<p>During her term until June 22, 2018, Ms. Yvonne Lih was appointed as the lead Independent Director.</p> <p>Ms. Lilian Linsangan was appointed as the lead Independent Director from June 22, 2018.</p> <p>The Chairman of the Board is not an independent Director.</p>	
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**Recommendation 5.6**

<p>1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.</p>	<p>Complied</p>	<p>Related party transactions are covered by the committee on related party transaction and such transactions are covered by the RPT policy attached herein.</p>	
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**Recommendation 5.7**

<p>1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.</p>	<p>Complied</p>	<p>Please refer to the ARRPT Committee Report 2018.</p>	
<p>2. The meetings are chaired by the lead independent director.</p>	<p>Complied</p>	<p>The meeting was organized by the lead independent director and attended by the ARRPT Committee Members without the management executives present.</p>	

**Optional: Principle 5**

1. None of the directors is a former CEO of the company in the past 2 years.	Complied.	None of the Directors is a former CEO of the Company in the past 2 years	
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**Principle 6:** The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

**Recommendation 6.1**

1. Board conducts an annual self-assessment of its performance as a whole.	Complied	See sample evaluation forms attached as Annex I -1	
2. The Chairman conducts a self-assessment of his performance.	Complied	See sample evaluation forms attached as Annex I -2	
3. The individual members conduct a self-assessment of their performance.	Complied	See sample evaluation forms attached as Annex I -2	
4. Each committee conducts a self-assessment of its performance.	Not complied	See sample evaluation forms attached as Annex I -3	Only ARRPT Committee and CGNR Committee conduct self-assessment of its performance. The Executive Committee does not yet have in its charter self-assessment of its performance. This will be implemented after the amendment and revision of its charter.

<p>5. Every three years, the assessments are supported by an external facilitator.</p>	<p>Complied</p>	<p>In 2017, the Board has tapped the services of International Finance Corporation (IFC) in partnership with ICD for a preliminary corporate governance assessment to assess the Company's corporate governance including board effectiveness.</p> <p>See Annex J for reference.</p>	
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**Recommendation 6.2**

<p>1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.</p>	<p>Complied</p>	<p>The Board uses third party assessment every three years to determine its performance and effectiveness. The last exercise was in 2017. Please refer to Annex J.</p>	
<p>2. The system allows for a feedback mechanism from the shareholders.</p>	<p>Complied</p>	<p>The Company website has provided a feedback mechanism from the shareholders with an email address <a href="mailto:ir@sbsph.com">ir@sbsph.com</a></p>	

**Principle 7:** Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

**Recommendation 7.1**

<p>1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.</p>	<p>Complied</p>	<p>Please refer to the company's Code of Business Conduct and Ethics.</p>	
<p>2. The Code is properly disseminated to the Board, senior management and employees.</p>	<p>Complied</p>	<p>Upon approval of the board, copies were reproduced and given to them individually. Management also reproduced the code for senior management and heads of departments for dissemination to the employees.</p>	
<p>3. The Code is disclosed and made available to the public through the company website.</p>	<p>Complied</p>	<p>Please refer to this link: <a href="http://www.sbsp.com/wp-content/uploads/2017/08/codeofbusiness.pdf">http://www.sbsp.com/wp-content/uploads/2017/08/codeofbusiness.pdf</a></p>	
<p><b>Supplement to Recommendation 7.1</b></p>			
<p>1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.</p>	<p>Complied</p>	<p>Please refer to Section E of the Company's Code of Business Conduct and Ethics.</p>	



Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Complied	<p>Please refer to the Whistleblowing Policy which provides for the email address <a href="mailto:wc@sbsph.com">wc@sbsph.com</a></p> <p>As provided in the Code of Ethics, all directors, officers and employees of the Company are expected to observe and comply with the standards of conduct set out in the Code of Ethics.</p>	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Complied	Please refer to the Internal Audit Charter and Whistleblowing Policy which provides for the email address <a href="mailto:ia@sbsph.com">ia@sbsph.com</a>	
Disclosure and Transparency			
<p><b>Principle 8:</b> The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.</p>			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business	Complied	<p>Section 7 of the company's revised manual on corporate governance provides:</p> <p>xxx</p> <p>To promote trust and confidence in the integrity of the Company, it is the policy of the Company to fully and timely disclose material information and dealings and to disseminate such information in a non-exclusionary and non-selective way. Shareholders and the investing public shall be regularly, timely and clearly informed of the developments involving the Company, its strategies</p>	

operations.

and prospects to promote greater understanding of the Company.

Company disclosures pertaining to the Company, its operation, employees, directors or officers shall be reviewed and approved by Management and/or the Board for public dissemination. Corporate financial disclosures are reviewed by the ARPP and endorsed to the Board for its public release.

The Company shall employ 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. 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

The Company shall have an Investor's Relations Officer who shall primarily responsible for communicating developments involving the Company, and serve as a feedback channel for shareholders and other stakeholders.

We have attached the revised Manual on Corporate Governance for reference.



		<p><i>engages in transactions with its affiliates and other related parties principally in the form of sale of goods, advances and reimbursement of expenses, leasing, and management and administrative service agreements" .</i></p> <p>It provided reference on the details in Note 18 of the Audited Consolidated Financial Statements of the Company and its Subsidiaries as of and for the twelve month period ended 31 December 2018 which forms part of the Annex of the Annual Report.</p> <p>2. On the SEC Form 17-A Annual Report, the 2018 Supplementary Schedule that forms part of the Annex showed the relationship between the Company and all its related entities.</p> <p>3. Every outstanding share of stock entitles the registered holder to one vote, thus voting power of controlling shareholders is directly equivalent to its overall equity position.</p>	
<b>Recommendation 8.2</b>			
<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Complied</p>	<p>The Company's insider trading policy attached herein for reference provides:</p> <p><b>DUTY TO DISCLOSE SECURITIES TRANSACTIONS</b></p> <p>All directors and officers of the Company shall inform the Company of their transactions and changes in direct interests involving Company securities within three (3) business days from date of the share transaction. In addition, all directors and officers shall also inform the Company of the changes in their indirect beneficial ownership of securities held by the following, within three (3) business days from date of the share transaction:</p> <p>(a) A member of his/her immediate family sharing the same household;</p>	

		(b) A partnership of which he/she is the general partner; (c) A corporation of which he is the controlling shareholder; (d) Those subject to any contract, arrangement or understanding which gives him/her voting power or investment power with respect to such securities.	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	Complied		
<b>Supplement to Recommendation 8.2</b>			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	Complied	<p>Changes in ownership of the members of the Board in 2018 are provided in the Company Website with the following link <a href="http://www.sbsp.com/disclosures-filings/">http://www.sbsp.com/disclosures-filings/</a></p> <p>This is found under the Statement of Beneficial Ownership and Change in Shareholdings of Directors and Principal Officers.</p> <p>We are attaching herewith as Annex K a sample of the disclosure relative to the changes in ownership of the members of the board as disclosed in the PSE and filed with the SEC for 2018.</p>	
<b>Recommendation 8.3</b>			

<p>1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Complied</p>	<p>The material qualifications of the members of the board and its key officers are provided for in its Information Statement (20-IS) attached herein, as well as in the Annual Report 17-A, attached herein for reference.</p>	
<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Complied</p>	<p>The material qualifications of the members of the board and its key officers are provided for in its Information Statement (20-IS) attached herein, as well as in the Annual Report 17-A, attached herein for reference.</p>	
<p><b>Recommendation 8.4</b></p>			

<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</p>	<p>Complied</p>	<p>Section 5 of the Company's Board Charter provides:</p> <p>The Directors shall be entitled to receive reasonable per diem allowance to be fixed by the Board for their meeting attendance. Any other arrangement or arrangements pursuant to which directors of the Company are to be compensated for services provided as a director shall be subject to the prior recommendation of the Corporate Governance, Nomination and Remuneration Committee and subject to the approval or ratification of the shareholders.</p> <p>Nothing herein shall preclude any director from serving the Company in any other capacity and receiving compensation therefor.</p>	
<p>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</p>	<p>Complied</p>	<p>The Corporate Governance, Nomination and Remuneration Committee Charter provides in Item 3.10 that The Committee shall establish a policy for fixing the remuneration packages of the Directors and Senior Executive Officers ensuring that the compensation is consistent with the Company's culture, strategy and control environment and review annually the performance of such directors and executives.</p> <p>It also provided in Item 3.11 that the Company's executive officer compensation programs consider the following factors:</p> <ol style="list-style-type: none"> <li>1. Attraction and retention of executive officers;</li> <li>2. Motivation of executive officers to achieve the Corporation's business objectives; and</li> <li>3. Alignment of the interests of executive officers with the long-term interests of the Corporation's shareholders and other stakeholders.</li> </ol>	

<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>Not Complied</p>	<p>The Company listed the names of the Top 5 Executive in its disclosure.</p>	<p>The Company executive remuneration is presented as a group of Top 5 Most Highly Compensated Officers, as reflected in the 2018 SEC Form 17A, on page 28.</p> <p>The names of the Top 5 Executives are disclosed.</p>
<b>Recommendation 8.5</b>			
<p>1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.</p>	<p>Complied</p>	<p>Please refer to the attached Policy on Related Party Transactions.</p> <p>In the composition of the ARRPT, Ms Aylene Sytengco who is an executive director and a family member of the controlling shareholder, has been designated as an ex-officio and non-voting member with regards to Related Party Transaction matters reviewed by the Committee.</p>	
<p>2. Company discloses material or significant RPTs reviewed and approved during the year.</p>	<p>Complied</p>	<p>The Company discloses material or significant Related Party Transactions reviewed and approved during the year as reflected in Note 18 of the Audited Consolidated Financial Statement as of December 31, 2018.</p> <p>In addition, details of investments in associate companies are disclosed in Note 8 of the Audited Consolidated Financial Statement as of December 31, 2018.</p> <p>Meanwhile, for material Related Party Transactions, detailed disclosures are made, an example of which is found in this link:  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=ef1552ce923f4df443ca035510b6ec2b#sthash.wlthEskr.lwgyEGqc.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=ef1552ce923f4df443ca035510b6ec2b#sthash.wlthEskr.lwgyEGqc.dpbs</a></p>	



Supplement to Recommendation 8.5			
<p>1. Company requires directors to disclose their interests in transactions or any other conflict of interests.</p>	<p>Complied</p>	<p>2.1Q of the revised CG Manual provides: Evaluate on an ongoing basis all related party transactions to ensure that such transactions are not to the detriment of the Company's business and to determine any potential reputational risk issues that may arise as a result or in connection with the transactions. In evaluation these transactions, the Committee shall take into account, among others, the following:</p> <ul style="list-style-type: none"> <li>i. The related party's relationship to the Company and interest in the transaction;</li> <li>ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;</li> <li>iii. The benefits to the Company of the proposed RPT;</li> <li>iv. The availability of other sources of comparable products or services; and</li> </ul> <p>An assessment of whether the proposed RPT is on terms and conditions that are no less favorable than the terms generally available to an unrelated party under similar circumstances. The Company shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;</p> <p>For every transaction being entered into, the board through the committee checks any RPTs, and the directors and officers concerned are required to disclose the same to the committee.</p> <p>The company's RPT Policy provides: The internal audit group shall monitor and evaluate the related party transactions (RPTs) entered by the Group</p>	

		and shall report on status and aggregate exposures of each related party to the Audit, Risk Oversight and Related Party Transactions Committee on a quarterly basis. The Audit and Risk Oversight and Related Party Transaction Committee ("ARRPT") shall review the internal audit report on the RPT on a quarterly basis and report them to the Board.	
<b>Optional : Recommendation 8.5</b>			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	Complied	Please refer to the attached Policy on Related Party Transactions which states that transactions between the Company and/or its subsidiaries 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 and its minority shareholders.	
<b>Recommendation 8.6</b>			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Complied	Please refer to this link for the list of disclosures of material information <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=f8b7cc2874b8a5ce43ca035510b6ec2b#sthash.APMSPkeJ.vNjk7Aok.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=f8b7cc2874b8a5ce43ca035510b6ec2b#sthash.APMSPkeJ.vNjk7Aok.dpbs</a>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=334701a5e062918c43ca035510b6ec2b#sthash.CvLJX3jn.LiauPRM.O.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=334701a5e062918c43ca035510b6ec2b#sthash.CvLJX3jn.LiauPRM.O.dpbs</a>  The same disclosure was disclosed with PSE and submitted to SEC and posted on Company website. <a href="http://www.sbsph.com/disclosures-filings/">http://www.sbsph.com/disclosures-filings/</a>	

2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Complied	<p>The Board appoints an independent appraiser to evaluate the fairness of transaction prices on acquisition or disposal of assets.</p> <p>Disclose the rules and procedures for evaluating the fairness of the transaction price, if any.</p>	
<b>Supplement to Recommendation 8.6</b>			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Complied	The Company's Information Statement as attached herein discloses existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company, or the absence thereof.	
<b>Recommendation 8.7</b>			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Complied	Please refer to the Company's Revised Corporate Governance Manual as attached.	
2. Company's MCG is submitted to the SEC and PSE.	Complied	Please refer to the Revised CG Manual duly received by the SEC and PSE.	

3. Company's MCG is posted on its company website.	Complied	Please refer to this link: <a href="http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Revised-Corporate-Governance-Manual.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Revised-Corporate-Governance-Manual.pdf</a>	
<b>Supplement to Recommendation 8.7</b>			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Complied	Please refer to the attached updated revised CG Manual which was updated in 2017 as approved by the board in order to keep up with the operations of the company as well as the revised rules on CG.	
<b>Optional: Principle 8</b>			
1. Does the company's Annual Report disclose the following information:		Corporate Goals is provided through the 2017 Annual Report to the Shareholders in page 2 thereof and in the Chairman's Message on page 6 delivered during the 2018 Annual Stockholders meeting. <a href="http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-2017.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-2017.pdf</a>	
a. Corporate Objectives	Complied.		
b. Financial performance indicators	Complied.		Please refer to 2018 SEC 17-A Annual Report in Page 21.
c. Non-financial performance indicators	Not Complied		Please refer to the attached 2018 SEC 17-A Annual Report in page 5 to 8 thereof that describes relevant statistics related to its business such as products, market segments, customers, suppliers but not on comparative basis from prior years except for the market segment.

d. Dividend Policy	Complied.	Please refer to the attached 2018 Annual Report SEC Form 17-A in page 17.	
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Complied.	Please refer to the attached 2018 Annual Report SEC Form 17-A in page 24 to 26.  Please refer to the 2018 Annual Report to the Shareholders page 39. <a href="http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf</a>	
f. Attendance details of each director in all directors meetings held during the year	Complied.	Alternative Compliance	
g. Total remuneration of each member of the board of directors	Not Complied	The total remuneration of each member of the board of directors in relation to its board function is disclosed by deriving the amount through the information provided on page 39 of the 2018 Annual Report to the Shareholders showing the attendance of the directors in the Board Committee and Board meetings and the Information Statement (20-IS) Item 6 that provides the Compensation of the Directors covering the per diem allowance of the non-executive and independent directors for every attendance in regular and special meetings of the board and for each Board Committee meeting attended. It also mentioned the per diem allowance of executive directors.	

<p>2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.</p>	<p>Complied</p>	<p>The 2018 Annual Report SEC Form 17-A item 15 (page 4) stated its reference to the submitted I-ACGR and is mentioned again in Part IV of the SEC 17-A, and appended among the Annexes in Part V, in the list of SEC submissions in 2018.</p> <p>The submitted 2017 I-ACGR is the document that specifically showed the compliance, and where non-compliance is identified, explanation is given for such issue.</p>	
<p>3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.</p>	<p>Complied</p>	<p>The 2017 Annual CG Report (which is submitted as annex to the 2018 Annual Report) discloses that the board of directors conducted review of the company's material controls and risk management systems, and this is specifically found in the ARRPT charter and the ARRPT committee report to the Board.</p>	
<p>4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.</p>	<p>Complied</p>	<p>The 2017 Annual CG Report (which is submitted as annex to the 2018 Annual Report) discloses that the board of directors conducted review of the company's material controls and risk management systems, and this is specifically found in the ARRPT charter and the ARRPT committee report to the Board.</p>	

<p>5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).</p>	<p>Complied.</p>	<p>Please refer to the risk factors under part 1, (2) L of the 2018 Annual Report as attached herein for reference.</p>	
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**Principle 9:** The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

**Recommendation 9.1**

<p>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</p>	<p>Complied</p>	<p>The 2018 Information Statement (20-IS) page 13 described the process to quote:          "The Audit and Risk Management Committee ("Committee") of the Company makes recommendations to the Board on the appointment, re-appointment, resignation, and removal of external auditors as well as their remuneration and terms of engagement. Prior to the appointment of the external auditor, the Committee meets with the external auditor to review and discuss the nature and scope of its audit program for the Company as well as to evaluate and determine the expenses and fees for the audit and other related work."</p>	
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<p>2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.</p>	<p>Complied</p>	<p>The appointment and reappointment of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.</p> <p>During the 2018 ASM, shareholders ratified the appointment of Punong Bayan and Araullo as the company's Independent Auditor as reflected in the Minutes of the Annual Stockholders Meeting dated June 22, 2018. Please refer to this link:</p> <p><a href="http://www.sbsph.com/wp-content/uploads/2019/05/ASM-2018-Minutes-for-Ratification.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/ASM-2018-Minutes-for-Ratification.pdf</a></p> <p>The determination of fees was delegated to the board of directors.</p>	
<p>3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.</p>	<p>Complied</p>	<p>The Company has not removed its Independent Auditor during the period, therefore, has not made any disclosure on such.</p>	
<p><b>Supplement to Recommendation 9.1</b></p>			
<p>1. Company has a policy of rotating the lead audit partner every five years.</p>	<p>Complied</p>	<p>Please refer to the ACGR Updated for the Year 2017, on pages 55 and 75.</p>	
<p><b>Recommendation 9.2</b></p>			
<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p>	<p>Complied</p>	<p>Please refer to the attached ARRPT Committee Charter.</p>	



<p>i. assessing the integrity and independence of external auditors;</p> <p>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</p> <p>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p>			
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	<p>Not Complied</p>	<p>The process of reviewing and monitoring the external auditor's suitability and effectiveness in conducted by the ARRPT Committee as provided in the ARRPT report to the Board. This is done in practice through its recommendation made annually which is then approved by the Board and ratified by the Shareholders in the Annual Stockholders Meeting. However, the ARRPT Charter does not indicate the review and monitoring on an annual basis.</p>	<p>The ARRPT Committee will review the Amended ARRPT Charter adopted last May 11, 2017 to take into consideration the responsibilities mentioned under this recommendation.</p>
<p><b>Supplement to Recommendations 9.2</b></p>			

1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	Complied	Please refer to the ACGR Updated for the Year 2017, on page 55.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	Complied	Please refer to the ACGR Updated for the Year 2017, on page 55 and page 60 Item 5(b).	
<b>Recommendation 9.3</b>			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Not Complied.	The Company discloses the nature of non-audit services performed by its external auditor in the Information Statement (20-IS) for the Annual Stockholders Meeting but not in the Annual Report 17-A.	The Company will consider to add in the future in the Annual Report and in the Information Statement the disclosure on the nature of non-audit services.

2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Complied	Please refer to Item 3.10 of the ARRPT Charter which specifically provides that <i>"xxx 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"</i>	
<b>Supplement to Recommendation 9.3</b>			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	Complied	The fees of the non-audit services of the independent auditors do not outweigh the fees for audit services.  Non-audit related service fees as disclosed in the Information Statement is Php 50,000 in 2018.	
<b>Additional Recommendation to Principle 9</b>			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Complied	As of 2018, the Company's external auditor is as follows:  1. Name of the audit engagement partner; Anthony L. Ng  2. Accreditation number; Partner No. 1638-A Firm No. 0002FR-5 3.Date Accredited;  4. Expiry date of accreditation; and Partner- May 29, 2020 Firm- March 26, 2021	

		5.Name, address, contact number of the audit firm. Punongbayan and Araullo 20 <sup>th</sup> Floor Tower 1 The Enterprise Center 6766 Ayala Avenue 1200 Makati City (02) 9882288	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	Not Complied		Punongbayan & Araullo has not been subjected to SOAR yet. But it was already notified for the year 2018.
<b>Principle 10:</b> The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
<b>Recommendation 10.1</b>			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	Complied	The Company discloses non-financial information such as its various permits and licenses related to regulatory and environmental compliance as disclosed in the Prospectus of the Stock Rights Offering 2017 dated November 17, 2017 in the pages 125 to 128 attached herein as Annex O, updated for 2018.	

2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Not Complied	The Company does not have a standard reporting format on sustainability and non-financial issues.	The Company will follow the requirement on sustainability reporting for publicly listed companies as attachment to the Annual Report 2019 to be submitted in year 2020.
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**Principle 11:** The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

**Recommendation 11.1**

1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	Not complied	<p>The Company in its revised CG Manual provides:</p> <p>The Company shall employ the following modes of communication for disseminating Company information and results on a regular basis to its stakeholders:</p> <ol style="list-style-type: none"> <li>a. Company website</li> <li>b. Press releases</li> <li>c. Structured and unstructured corporate disclosures</li> <li>d. Meetings between Company officers and analysts/institutional investors</li> <li>e. Annual report</li> <li>f. Local participation in industry-oriented exhibits and conferences</li> <li>g. Stockholders' meeting</li> <li>h. Email alerts</li> </ol> <p>Please refer to the link below showing disclosure of material information of the company.  <a href="http://www.sbsph.com/disclosures-filings/">http://www.sbsph.com/disclosures-filings/</a>   <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=c81884be4d254d1343ca035510b6ec2b#sthash.aGOkFRoF.zUND69wu.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=c81884be4d254d1343ca035510b6ec2b#sthash.aGOkFRoF.zUND69wu.dpbs</a></p>	<p>The Company sends articles to the media for possible press releases but does not yet conduct regular media and analysts briefing.</p> <p>The Company meets with analysts and institutional investors for briefing upon individual request.</p>
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Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:	Complied	<a href="http://www.sbsph.com">www.sbsph.com</a>	
a. Financial statements/reports (latest quarterly)	Complied	<a href="http://www.sbsph.com/disclosure-filings/investors/financial-reports/">http://www.sbsph.com/disclosure-filings/investors/financial-reports/</a>	
b. Materials provided in briefings to analysts and media	Complied	<a href="http://www.sbsph.com/disclosures-filings/#collapse?">http://www.sbsph.com/disclosures-filings/#collapse?</a>	
c. Downloadable annual report	Complied	<a href="http://www.sbsph.com/disclosure-filings/investors/financial-reports/">http://www.sbsph.com/disclosure-filings/investors/financial-reports/</a>	
d. Notice of ASM and/or SSM	Complied	<a href="http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/">http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/</a>	
e. Minutes of ASM and/or SSM	Complied	<a href="http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/">http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/</a>	
f. Company's Articles of Incorporation and By-Laws		<a href="http://www.sbsph.com/article-incorporation-laws/">http://www.sbsph.com/article-incorporation-laws/</a>	

Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Complied.	<a href="http://www.sbsph.com">http://www.sbsph.com</a>	
Internal Control System and Risk Management Framework			
<b>Principle 12:</b> To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	Complied	<p>Please refer to the Internal Audit Activity Charter as attached.</p> <p>The ARRPT Committee reviewed and validate the Annual Internal Audit Plan, and its progress is presented and discussed at the ARRPT Committee meetings. Attached as Annex Q is example of the Annual Internal Audit plan validated by the ARRPT in 2018 for implementation the following year.</p>	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	Not Complied	<p>The Company has its own risk management system as provided in the ACGR Updated for 2017, on pages 62 to 67, which mentioned the key risks the Company is facing and how the Company manages these key risks as part of its Risk Management Policy.</p> <p>However, the Company does not use international standard framework for its Enterprise Risk Management.</p>	<p>Every year, the Company assesses best practices and effectiveness of its enterprise risk management system and improve continuously.</p> <p>The ARRPT Committee reviews the Company's risk framework.</p>
Supplement to Recommendations 12.1			

<p>1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	<p>Complied.</p>	<p>The Chief Operating Officer (COO) prepares and reports to the board the compliance plans it conducts for the year. This reporting done by the COO gives the board an opportunity to review said processes annually.</p> <p>Please refer to Annex O as example of some of the relevant laws and regulations to be complied by the Company.</p> <p>The Company attends briefings and seminars related to compliance matters when there are new regulations to be implemented.</p>	
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**Optional: Recommendation 12.1**

<p>1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.</p>	<p>Not Complied</p>	<p>The Company has engaged an IT team to oversee IT related processes.</p>	<p>The Company has drafted an IT Policy manual covering governance process on IT issues including disruption, cyber security, and disaster recovery. (under review)</p>
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**Recommendation 12.2**



<p>1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.</p>	<p>Complied</p>	<p>The internal audit for the period is headed by Mr. Emerson Paulino, and at latter part by Ms Maria Gemma Bien.</p>	
<b>Recommendation 12.3</b>			
<p>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.</p>	<p>Complied</p>	<p>The Company's Internal Auditor(Chief Audit Executive) is Emerson Paulino and at latter part of the year by Ms Maria Gemma Bien.</p> <p>5.1 of the Revised Corporate Governance Manual provides:</p> <p>The internal audit function shall review, audit and report the effectiveness of the system of organizational and procedural controls of the Company and governance and risk management systems. It shall be independent of the activities that it audits.</p> <p>Its scope of work covers risk exposures relating to achievement of the Company's strategic objectives, reliability and integrity of information systems, systems established to ensure compliance with the policies, plans, procedures, laws, and regulation with significant impact on the organization, the means to safeguarding assets and the effectiveness and efficiency by which resources are employed, the effectiveness of the organization's risk management processes and</p>	

		specific operations at the request of the Board or management, as appropriate.	
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	Complied	For the period, the Internal Auditor oversees and is responsible for the internal audit activity of the organization including portion that is outsourced to third party service provider.	
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	Complied.	The Company outsourced the internal audit activity at latter part of the year, and appointed a qualified independent executive personnel to manage the outsourced internal audit activity.	
<b>Recommendation 12.4</b>			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	Not Complied	Alternative Compliance The Company's risk management function is headed by the COO, Mr. Esmeraldo Tepace.	The Company considers the key risks, operational risks, product portfolio risks, and environment, health and safety, considering the nature of the Company's business. As such, the current COO is in best position to identify, assess and monitor key risk exposures.
<b>Supplement to Recommendation 12.4</b>			

1. Company seeks external technical support in risk management when such competence is not available internally.	Complied.	The Company engaged the services of third party professionals in the area of environmental impact assessment of its storage facilities.	
<b>Recommendation 12.5</b>			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	Complied.	<p>The Company's risk function is headed by the COO, Mr. Esmeraldo Tepace who is the Chief Risk Officer. 6.0 of the revised CG Manual provides that the CRO:</p> <p>Xxx shall oversee and supervise entire enterprise risk management process and recommend improvement of ERM processes and documentation.</p> <p>Xxx The background of the CRO is provided for in the company's IS and Annual report as filed with the SEC and disclosed with the PSE and attached herein for reference.</p>	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	Complied.	The CRO is a senior officer and is concurrently the COO of the Company.	
<b>Additional Recommendation to Principle 12</b>			

1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	Complied	Please refer to the attached internal control and compliance attestation (Annex D).	
<b>Cultivating a Synergic Relationship with Shareholders</b>			
<b>Principle 13:</b> The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
<b>Recommendation 13.1</b>			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	Complied.	8.0 of the revised CG Manual provides for the shareholder rights and rights of minority shareholders.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	Complied.	The basic shareholders rights are disclosed in the Revised Corporate Governance Manual as attached for reference.	
<b>Supplement to Recommendation 13.1</b>			
1. Company's common share has one vote for one share.	Complied.		

<p>2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.</p>	<p>Complied.</p>	<p>The Company only has common shares. Each stockholder shall have one vote for each share of stock entitled to vote and registered in his name at record date for all agenda items for approval</p>	
<p>3. Board has an effective, secure, and efficient voting system.</p>	<p>Complied</p>	<p>The voting procedure is sent out to shareholders through the Information Statement disseminated and posted in the website of the company. It provides:</p> <p>Except in the case of election of directors, each stockholder shall have one vote for each share of stock entitled to vote and registered in his name at record date for all agenda items for approval.</p> <p>For the election of directors, each stockholder may vote such number of 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 multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.</p> <p>Voting will be by poll. Upon registration at the annual stockholders' meeting, each stockholder will be given a ballot to enable him to vote in writing on each item or proposal in the Agenda. The votes will be counted and tabulated by the Office of the Corporate Secretary and verified by the Company's external auditors, Punongbayan &amp; Araullo.</p>	

<p>4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.</p>	<p>Not Complied</p>		<p>While the Board does not have written policy on the matter, the Company follows the minimum statutory requirements when it comes to voting of majority of minority. The procedure is the same as regular polling of other agenda items in the meetings as provided above.</p>
<p>5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.</p>	<p>Complied</p>	<p>The revised CG Manual provides the right of minority shareholders to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate</p>	
<p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.</p>	<p>Complied</p>	<p>8.0 of the revised CG Manual Provides for the rights of the shareholders and minority shareholder rights.</p>	
<p>7. Company has a transparent and specific dividend policy.</p>	<p>Complied</p>	<p>The Company adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Company's Board of Directors, dividends equivalent to approximately twenty percent (20%) of the prior year's net income after tax based on the Company's audited financial statements as of such year, subject to the availability of the unrestricted retained earnings and except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Company</p>	

		is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserves for probable contingencies. Said dividend policy is provided for in the Company's Annual Report and Information Statement attached herein.	
<b>Optional: Recommendation 13.1</b>			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Complied	Punongbayan and Araullo counted the votes during the Annual Meeting.	
<b>Recommendation 13.2</b>			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Complied	In the 2018 Annual Stockholders Meeting, the Notices were sent exactly 28 days before the meeting date.  The Agenda was posted in the Company website in this link:  <a href="http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/">http://www.sbsph.com/disclosure-filings/investors/annual-stockholders-meeting/</a>  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=1405c0c2c0a9f28343ca035510b6ec2b#sthash.Fb3BPugt.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=1405c0c2c0a9f28343ca035510b6ec2b#sthash.Fb3BPugt.dpbs</a>	
<b>Supplemental to Recommendation 13.2</b>			

<p>1. Company's Notice of Annual Stockholders' Meeting contains the following information:</p>	<p>Complied</p>	<p>The Notice of Annual Stockholders' Meeting is posted in the company website  <a href="http://www.sbsp.com/disclosure-filings/investors/annual-stockholders-meeting/">http://www.sbsp.com/disclosure-filings/investors/annual-stockholders-meeting/</a>  Then, the link on the PSE disclosure for download of information  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=1405c0c2c0a9f28343ca035510b6ec2b#sthash.Fb3BPugt.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=1405c0c2c0a9f28343ca035510b6ec2b#sthash.Fb3BPugt.dpbs</a></p> <p>The Notice of ASM sent to the Stockholders' includes the Information Statement (20-IS) which can be found in this link:  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=b3b9fc6824d3667243ca035510b6ec2b#sthash.E68mGrwl.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=b3b9fc6824d3667243ca035510b6ec2b#sthash.E68mGrwl.dpbs</a></p>	
<p>a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)</p>	<p>Complied</p>	<p>The Information is provided in the Information Statement that is sent together with the Notice of Annual Stockholders' Meeting.  Please refer to pages 7 to 9 of the 20-IS Information Statement for the 2018 Annual Stockholders meeting held last June 22, 2018.</p>	
<p>b. Auditors seeking appointment/re-appointment</p>	<p>Complied</p>	<p>The Information is provided in the Information Statement that is sent together with the Notice of Annual Stockholders' Meeting.  Please refer to pages 12 to 13 of the 20-IS Information Statement for the 2018 Annual Stockholders meeting held last June 22, 2018.</p>	
<p>c. Proxy documents</p>	<p>Complied</p>	<p>Please see attached Annex P , a sample Proxy Form used and can be found in this link:  <a href="http://www.sbsp.com/wp-content/uploads/2019/05/PROXY-2018-ASM-final.pdf">http://www.sbsp.com/wp-content/uploads/2019/05/PROXY-2018-ASM-final.pdf</a></p>	



Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	Complied	<p>Please refer to this link:  <a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=1405c0c2c0a9f28343ca035510b6ec2b#sthash.Fb3BPugt.5yPCvOpn.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=1405c0c2c0a9f28343ca035510b6ec2b#sthash.Fb3BPugt.5yPCvOpn.dpbs</a></p> <p>The Rationale is found in the Explanatory Notes to the Agenda section.(page 2 to 4)</p>	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	Complied	<p>There were no relevant questions raised and answers during the ASM. The voting result during the Annual Stockholders' Meeting is disclose through the PSE website the following working day and can be viewed at:</p> <p><a href="http://edge.pse.com.ph/openDiscViewer.do?edge_no=fb52bc8a469e69e443ca035510b6ec2b#sthash.xWKun2ss.dpbs">http://edge.pse.com.ph/openDiscViewer.do?edge_no=fb52bc8a469e69e443ca035510b6ec2b#sthash.xWKun2ss.dpbs</a></p>	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	Complied	<p>The Minutes of the Annual Stockholders' Meeting is made available at the Company website:</p> <p><a href="http://www.sbsph.com/wp-content/uploads/2019/05/ASM-2018-Minutes-for-Ratification.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/ASM-2018-Minutes-for-Ratification.pdf</a></p>	
Supplement to Recommendation 13.3			

1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	Complied	The External Auditor as well as the external counsels attended the latest general meeting.	
<b>Recommendation 13.4</b>			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	Complied	The revised CG provides that the Board shall establish and maintain an alternative dispute resolution system to amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	Complied	The revised Manual provides that the board shall: Establish and maintain an alternative dispute resolution system to amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities	
<b>Recommendation 13.5</b>			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	Complied	The Company's Investor Relations Officer is Ms. Sabrina Adamelle Poon-Sytengco, with telephone number (02) 371-1111, fax number 371-1288 and can be reached at <a href="mailto:ir@sbsph.com">ir@sbsph.com</a>	

2. IRO is present at every shareholder's meeting.	Complied	The IRO was present during the ASM.	
<b>Supplemental Recommendations to Principle 13</b>			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Complied.	The board does not have any anti take-over measures.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	Not complied.	The public float of the company is 25.42% as of December 31, 2018.	The Company endeavors to keep public float high as much as possible and while it is below 30%, the company's public float is more than the minimum required by the rules of the PSE.
<b>Optional: Principle 13</b>			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	Complied	The Company provides direct access by the shareholders through the Investors Relations Office.	

2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	Not Complied	The Company does not have electronic voting in absentia.	
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### Duties to Stakeholders

**Principle 14:** The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

#### Recommendation 14.1

1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	Complied	The 2017 Annual Report of Management to Shareholders reiterates the Company's commitment to build strong and good relationship with our stakeholder (refer to pages 24 to 26) in the attached link:  <a href="http://www.sbsp.com/wp-content/uploads/2019/05/SBS-Annual-Report-2017.pdf">http://www.sbsp.com/wp-content/uploads/2019/05/SBS-Annual-Report-2017.pdf</a>	
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#### Recommendation 14.2

1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	Complied	The company's policies and programs for the protection and fair treatment of company's stakeholders are well entrenched in its revised CG manual attached herein for reference, such as but not limited to:  "The Company shall employ 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. Meetings between Company officers and analysts/institutional investors	
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		<ul style="list-style-type: none"> <li>e. Annual report</li> <li>f. Local participation in industry-oriented exhibits and conferences</li> <li>g. Stockholders' meeting</li> <li>h. Email alerts</li> </ul> <p>The Company shall have an Investor's Relations Officer who shall primarily responsible for communicating developments involving the Company, and serve as a feedback channel for shareholders and other stakeholders."</p>	
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**Recommendation 14.3**

<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.</p>	<p>Complied</p>	<p>The revised CG Manual provides that:</p> <p>"The Company shall have an Investor's Relation Officer who shall primarily responsible for communicating developments involving the Company, and serve as a feedback channel for shareholders and other stakeholders."</p> <p>Hence, the Company has appointed Ms. Sabrina Adamelle Poon-Sytengco as the Investor Relations Officer, with telephone number (02) 371-1111, fax number 371-1288 and can be reached at <a href="mailto:ir@sbsph.com">ir@sbsph.com</a></p> <p>We have attached herein the whistleblowing policy for reference.</p> <p>If an employee or stakeholder in good faith believes that wrongdoing or impropriety exists in the workplace, this should be reported immediately through an incident report either to his/her service line manager or the Internal Auditor at <a href="mailto:ia@sbsph.com">ia@sbsph.com</a>. Alternatively, the matter or concern may be raised either to the Company's Compliance Officer or any of the Company's Independent Directors by submitting an incident report through the Whistleblower Channel at <a href="mailto:wc@sbsph.com">wc@sbsph.com</a></p>	
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		<p>The Incident Report shall include details of the parties involved, dates or period of time, type of concern, evidence substantiating the claim, where possible, and contact details, in case further information may be required.</p> <p>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 the Company's Internal Auditor.</p>	
<b>Supplement to Recommendation 14.3</b>			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	Complied	<p>The ACGR Updated for 2017 provides in Page 36 that:</p> <p><i>"In the case of disputes or differences, the Company would essentially resort to mutual consultations, negotiations and mediation to resolve the dispute."</i></p>	
<b>Additional Recommendations to Principle 14</b>			

<p>1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.</p>	<p>Complied</p>	<p>For the period, the Company have not availed any exemption from the application of a law regarding corporate governance issue.</p>	
<p>2. Company respects intellectual property rights.</p>	<p>Complied</p>	<p>The Company has never had issues with violating any IP law, and has sought protection of IP laws in its own intellectual properties through registration of its Trademark with Registration No. 42016010698.</p> <p>It is also illustrated in the Company website under this link:  <a href="http://www.sbsp.com/legal/">http://www.sbsp.com/legal/</a></p>	
<p><b>Optional: Principle 14</b></p>			
<p>1. Company discloses its policies and practices that address customers' welfare</p>	<p>Complied</p>	<p>The Company has Customer Feedback Mechanism that can be found in the Company website:  <a href="http://www.sbsp.com/contact-us/">http://www.sbsp.com/contact-us/</a></p>	
<p>2. Company discloses its policies and practices that address supplier/contractor selection procedures</p>	<p>Not Complied</p>	<p>Our policies and practices in selection of suppliers and contractors are confidential business information due to Company's nature of business.</p>	

Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	Complied	<p>The Board, through the Executive Committee, establishes programs and procedures in employees training and development to encourage them to actively contribute to the realization of the Company's goals and its governance.</p> <p>Please refer to the following link showing the 2018 training and development activity of the Company:  <a href="http://www.sbsph.com/wp-content/uploads/2019/05/2018-Training-and-Development.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/2018-Training-and-Development.pdf</a></p>	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Complied	<p>The Company has performance based variable remuneration scheme that is aligned to company's objective. As of 2018, the Company does not have employee stock option plan.</p> <p>The Company also provides additional benefits linked to the employee's length of service.</p>	
2. Company has policies and practices on health, safety and welfare of its employees.	Complied	<p>The Company has policies on health, safety and welfare of its employees, as provided for in this link:  <a href="http://www.sbsph.com/wp-content/uploads/2018/03/Employee-Safety-Health-and-Welfare.pdf">http://www.sbsph.com/wp-content/uploads/2018/03/Employee-Safety-Health-and-Welfare.pdf</a></p> <p>Example of the 2018 practices as mentioned in this link:  <a href="http://www.sbsph.com/wp-content/uploads/2019/05/2018-Wellness-Program.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/2018-Wellness-Program.pdf</a></p>	



3. Company has policies and practices on training and development of its employees.		<p>The Company conducts internal training and development programs for its employees, and provide them access to external training programs based on employee's nature of work.</p> <p>Please refer to the following links:  <a href="http://www.sbsph.com/wp-content/uploads/2019/05/2018-Training-and-Development.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/2018-Training-and-Development.pdf</a></p>	
<b>Recommendation 15.2</b>			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	Complied	<p>The Whistleblowing policy was adopted to provide for a mechanism where genuine issues and concerns of wrongdoing, impropriety or irregularity involving or affecting the Company may be raised in a confidential manner. This Policy aims to deter and uncover corrupt, illegal, unethical, fraudulent and other conduct detrimental to the interests of the Company.</p> <p>E of the Company's Code of ethics also provides:</p> <p>The Company does not tolerate any form of corruption by its employees and suppliers. 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. Under no circumstances shall Company employees make or authorize, directly or indirectly any illegal or improper payment to employees of customers. All employees are expected to report any such violations or suspected violations.</p>	

<p>2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.</p>	<p>Complied</p>	<p>The Board actively supports employees' training across the organization and directs the management to incorporate in the orientation and training programs that they consider appropriate for the development of the Company and align to its CORE VALUES:</p> <p>Honesty and Integrity  Hard work and Perseverance  Productivity and Excellence  Customer Satisfaction  Loyalty and dedication  Faith in God Almighty</p>	
<b>Supplement to Recommendation 15.2</b>			
<p>1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.</p>	<p>Complied</p>	<p>Please refer to Item (E) of the Company's Code of Conduct and Business Ethics as attached.</p> <p>For the period in review, there was no reported violation.</p>	
<b>Recommendation 15.3</b>			
<p>1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation</p>	<p>Complied</p>	<p>Please refer to the attached whistleblowing policy of the company. Said policy includes procedure to protect the employees from retaliation. Illegal or unethical behaviours may be reported to <a href="mailto:wc@sbsph.com">wc@sbsph.com</a> which is handled by the Company's independent director.</p>	

2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	Complied	The employees may have a direct access through <a href="mailto:wc@sbsph.com">wc@sbsph.com</a> which is handled by the Company's independent director.	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	Complied	Any whistleblowing reports are eventually reported to the board of directors. Furthermore, the email address here the incidents are sent are being handled by an independent director.	
<p><b>Principle 16:</b> The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.</p>			
<p><b>Recommendation 16.1</b></p>			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Complied	<p>Please refer to Pages 26 of the 2018 Annual Report to the Shareholders on its approach to sustainability.</p> <p>Please refer to this link: <a href="http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf</a></p>	

Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Complied	The Company complies with all the regulatory requirements in storage, handling, and distribution of its products. It also provide the customers and transport provider with the necessary document and information to properly handle the materials that it supply and ensure that it sources its material from suppliers that are compliant with environment regulation in their respective countries.	
2. Company exerts effort to interact positively with the communities in which it operates	Complied	Please refer to pages 27 to 30 of the 2018 Annual Report to the Shareholders. On its Corporate Social Responsibility Initiatives  Please refer to this link: <a href="http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf">http://www.sbsph.com/wp-content/uploads/2019/05/SBS-Annual-Report-to-shareholders-2018_compressed.pdf</a>	

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, hereunto duly authorized, in Quezon City on 22 MAY 2019 May 2019.

NECISTO U. SYTENGCO

Chairman of the Board

GERRY D. TAN

Chief Executive Officer

ROBERT F. ANONAS JR.

Independent Director

GEOCEL D. OLANDAY

Independent Director

AYLENE Y. SYTENGCO

Compliance Officer

CHRISTINE P. BASE

Corporate Secretary

**22 MAY 2019**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ of 2019, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME	PASSPORT	DATE ISSUED / VALID UNTIL
Necisto U. Sytengco	EC4081656	May 03 2015 -May 03 2020
Gerry D. Tan	P9198056A	October 17 2018 – October 16 2028
Roberto F. Anonas Jr.	EC5105911	August 28 2015 -August 27 2020
Geocel D. Olanday	P2806350A	April 27, 2017- April 26, 2022
Aylene Y. Sytengco	P6002921A	February 12 2018-February 11, 2028
Christine P. Base	IBP Lifetime ID 08661	Lifetime Membership

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 Book No. 15  
 Series of 2019.

ATTY. ROSALINDA A. MONTENEGRO

Notary Public

Until December 31, 2019

PTR No. 5609932 – 1-04-19, Q.C.

IBP No. AR4792020-1-04-19, Q.C.

Roll No. 68465

MCLE Compliance No. VI-005J47

Unit 280 Acre Bldg., 137 Malakas St.,

Brgy. Central, Quezon City