



SAN MIGUEL CORPORATION

January 9, 2017

The Philippine Stock Exchange, Inc.
Disclosure Department
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

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

Gentlemen:

We reply with respect to the news article entitled "DENR orders SMCCPC to stop operations of Bataan plant" posted in philSTAR.com on January 9, 2017. The article reported in part that:

"MANILA, Philippines – The Department of Environment and Natural Resources (DENR) has ordered SMC Consolidated Power Corp. (SMCCPC) to stop any activity inside its coal-fired power plant in Limay, Bataan in the wake of an ash spill that has reportedly caused several residents to fall ill.

Through its Environmental Management Bureau (EMB)-Central Luzon office, the DENR also directed the nearby Petron Bataan Refinery (PBR) to 'stop from dumping newly-generated bottom ash' in the area while the ash spill incident is being investigated.

The two directives, both dated Jan. 6, were issued by regional director Lormelyn Claudio of EMB Region 3, which is based in San Fernando City, Pampanga.

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In a Notice of Alleged Violation issued to SMCCPC, the EMB wanted the power firm to explain why the ECC for its Limay facility should not be revoked or cancelled due to the ash spill.

'Notice is hereby served in connection with the dumping of bottom ash at (SMCCPC's) facility in Limay, Bataan. This allegedly caused unmitigated spread of ash which affected the health conditions of the residents in the host community,' the notice read.

The EMB is giving SMCCPC a period of seven days from receipt of the notice to explain why it should not be penalized under PD 1586, and why its ECC should not be revoked or suspended.

'Similarly, you are hereby ordered to stop from further undertaking any activity while the matters are being investigated,' the EMB told SMCCPC.

The bureau also ordered the company to attend the technical conference scheduled on Jan. 9 at the EMB Region 3 office in Pampanga.

'Failure to attend will qualify you to be considered in default and the case shall be resolved based on evidence on record,' the EMB warned SMCCPC.

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The EMB said it was inclined to issue a new order against PBR 'considering the most recent reports and information on the alleged skin diseases caused by the dumping of bottom ash at (SMCCPC's) facility.'

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By way of response to the Exchange, we advise that the Department of Environment and Natural Resources, Environmental Management Bureau, Region 3 ("DENR-EMB") issued notices addressed to SMC Consolidated Power Corporation ("SMC Consolidated") and the Petron Bataan Refinery (the "Petron Refinery"), dated January 6, 2017 and December 28, 2016, respectively (collectively the "Notices"), as reported in the aforementioned news article. Both SMC Consolidated and Petron Refinery have complied with the directives contained in the Notices as mandated by the DENR-EMB and have provided measures for the proper handling of the ash resulting from its operations.

We further advise that the issue relating to the alleged release of ash from the facilities of SMC Consolidated and Petron Refinery has been the subject of on-going discussions between the members of the Multi-Partite Monitoring Team ("MMT") composed of representatives of the Petron Refinery, SMC Consolidated, the Municipality of Limay, DENR, Members of the Local Community and Non-Governmental Organizations. The views expressed by members of the MMT are considered in coming up with measures to address such issues.

Finally, the DENR-EMB has scheduled a technical conference today, January 9, 2017. SMC Consolidated and the Petron Refinery shall present and explain their respective positions to respond to the points raised by the DENR-EMB, as contained in the Notices.

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer