SAN MIGUEL CORPORATION

April 8, 2014

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

Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

Re: **Annual Corporate Governance Report**

Gentlemen:

We submit herewith the Annual Corporate Governance Report of the Company with changes on Page 6 and 7 relating to the directorships in other listed companies outside of the San Miguel Group, specifically the resignation of Mr. Ramon S. Ang, President and Chief Operating Officer of the Company, and Atty. Estelito P. Mendoza, respectively, as members of the Board of Directors of Manila Electric Company.

Very truly yours,

Mary Rose S. Tan
Assistant Corporate Secretary

COVER SHEET

P	W	-	2	2	7				

S. E. C. Registration Number

S	A	N		M	I	G	U	E	L										

C	O	R	P	O	R	A	T	I	O	N									

(Company's Full Name)

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M	A	N	D	A	L	U	Y	O	N	G		C	I	T	Y				

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

Atty. Mary Rose S. Tan	632-3000
Contact Person	Company Telephone

Number

1	2	3	1	Annual Corporate Governance Report	0	6	-	-	2nd Tuesday of
Month		Day		FORM TYPE	Month		Day		Annual Meeting

Secondary License Type, If Applicable

C	F	D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year — 2012

2. Exact Name of Registrant as Specified in its Charter — SAN MIGUEL CORPORATION

3. 40 San Miguel Avenue, Mandaluyong City, Metro Manila — 1550
   Address of Principal Office — Postal Code

4. SEC Identification Number — PW-227

5. [ ] (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number — 000-060-741

7. Tel No. (632) 632-3000
   Issuer's Telephone number, including area code

8. N/A
   Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	15

Actual number of Directors for the year	15

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Eduardo M. Cojuangco, Jr.	ED	N/A	Ramon S. Ang	05/10/1983	06/14/2012	Annual	17[2]
Ramon S. Ang	ED	N/A	Ramon S. Ang	01/28/1999	06/14/2012	Annual Meeting	13
Estelito P. Mendoza	NED	N/A	Ramon S. Ang	09/26/1991	06/14/2012	Annual Meeting	16[3]
Leo S. Alvez	NED	N/A	Ramon S. Ang	02/27/2002	06/14/2012	Annual Meeting	10
Joselito D. Campos, Jr.	NED	N/A	Ramon S. Ang	05/31/2010	06/14/2012	Annual Meeting	2
Ferdinand K. Constantino	ED	N/A	Ramon S. Ang	05/31/2010	06/14/2012	Annual Meeting	2
Menardo R. Jimenez	NED	N/A	Ramon S. Ang	02/27/2002	06/14/2012	Annual Meeting	10
Roberto V. Ongpin	NED	N/A	Ramon S. Ang	09/01/2009	06/14/2012	Annual Meeting	3
Eric O. Recto	NED	N/A	Ramon S. Ang	05/31/2010	06/14/2012	Annual Meeting	3
Alexander J. Poblador	NED	N/A	Ramon S. Ang	09/01/2009	06/14/2012	Annual Meeting	3
Thomas A. Tan	ID	N/A	Ramon S. Ang, no relationship	06/14/2012	06/14/2012	Annual Meeting	0.5
Iñigo Zobel	NED	N/A	Ramon S. Ang	05/05/1999	06/14/2012	Annual Meeting	13
Winston F. Garcia	ID	N/A	Ramon S. Ang, no relationship	05/06/2006	Less than 1 year	Annual Meeting	6
Reynato S. Puno	ID	N/A	Ramon S. Ang, no relationship	01/20/2011	Less than 1 year	Annual Meeting	2
Margarito B. Teves	ID	N/A	Ramon S. Ang, no relationship	06/14/2012	Less than 1 year	Annual Meeting	1

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Corporation is committed to good corporate governance practices, specifically the principles of fairness, transparency, accountability and responsibility. These practices, embodied in the Manual on Corporate Governance of the Corporation (the "Manual") provide the framework within which the Board of Directors and management pursue the strategic

[1] Reckoned from the election immediately following January 2, 2012.

[2] Served as director from 05/10/1983 to 1986; 07/02/1998 to present.

[3] Served as director from 09/26/1991 to 04/20/1993; 04/21/1998 to present.

objectives of the Corporation and ensure its long-term viability for the benefit of shareholders. The Corporation's corporate governance practices continue to evolve to keep pace with the requirements of law, regulations and best practice recommendations. Key committees of the Board of Directors are organized with specific charters to ensure they provide strong oversight of strategic activities of the Corporation, resulting in sound business decisions that benefit shareholders. The overarching fiduciary responsibility of the Board of Directors to the shareholders is the unchanging and fundamental premise of the Corporation's commitment to corporate governance. Protecting shareholder interests and ensuring the integrity of the Corporation's financial information are central to every aspect of the Corporation's governance.

The Manual contains provisions on the treatment of all shareholders, respect for rights of minority shareholders and of other stakeholders, disclosure duties and board responsibilities.

Section 5 of the Manual relates to Shareholder' Benefits and Section 5.1 refers to Investors Rights and Protection. Section 5.1.1 states the Corporation's commitment to respect rights of investors and minority shareholders. The said section describes rights relating to voting rights, pre-emptive rights, power of inspection, the right to information, the right to dividends, appraisal right and promotion of shareholder rights.

Section 4 describes the reportorial system of the Corporation's corporate governance policies which includes disclosures to the Philippine Stock Exchange and the Commission.

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

The Board periodically reviews and approves the Corporation's vision and mission as the need arises as recommended by Management.

Directorship in Other Companies

(i) Directorship in the Company's Group[4]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Eduardo M. Cojuangco, Jr.	San Miguel Pure Foods, Co., Inc. Ginebra San Miguel Inc. Petron Corporation	NED, Chairman NED, Chairman NED
Ramon S. Ang	San Miguel Brewery, Inc. Petron Corporation San Miguel Pure Foods Co., Inc. Ginebra San Miguel Inc. SMC Global Power Holdings, Inc. San Miguel Properties, Inc. San Miguel Yamamura Packaging Corporation Anchor Insurance Brokerage Corporation Top Frontier Investment Holdings Inc. Liberty Telecoms Holdings, Inc. PAL Holdings, Inc. Philippine Airlines, Inc. Air Philippines Corporation And other SMC Subsidiaries	NED, Chairman ED, Chairman and CEO NED, Vice Chairman ED NED, Chairman ED, Chairman NED, Chairman NED, Chairman NED NED, Vice Chairman NED, Chairman ED, President ED, President NED/ED

[4] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Estelito P. Mendoza	Petron Corporation	NED
Leo S. Alvez	Ginebra San Miguel Inc.	
Joselito D. Campos	None	
Ferdinand K. Constantino	San Miguel Brewery Inc. Ginebra San Miguel Inc. Petron Corporation[5] San Miguel Properties, Inc. Top Frontier Investment Holdings Inc. PAL Holdings, Inc. Other SMC subsidiaries	NED NED NED NED ED NED NED
Menardo R. Jimenez	San Miguel Foods, Inc.	NED
Roberto V. Ongpin	Petron Corporation Ginebra San Miguel Inc.	NED NED
Eric O. Recto	Petron Corporation Top Frontier Investment Holdings Inc. Manila Electric Company	ED, President ED, President NED
Alexander J. Poblador	None	
Iñigo Zobel	Top Frontier Investment Holdings Inc. SMC Global Power Holdings Corp. PAL Holdings, Inc. Philippine Airlines, Inc. Air Philippines Corporation	NED, Chairman NED, Vice Chairman NED NED ED, Chairman
Winston F. Garcia	None	
Thomas A. Tan	SMC Shipping and Lighterage Corporation	ED, President
Margarito B. Teves	None	

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group: *(As revised on 13 March 2014)*

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
~~Ramon S. Ang~~	~~PhilWeb Corporation~~ ~~Cyber Bay Corporation~~[6] ~~Alphaland Corporation~~	~~NED~~ ~~ED, Chairman and President~~ ~~ID~~
Joselito D. Campos, Jr.	Del Monte Pacific Limited	ED, CEO
Estelito P. Mendoza	Philippine National Bank	NED
Roberto V. Ongpin	PhilWeb Corporation ISM Communications Corporation Alphaland Corporation Atok-Big Wedge Co., Inc.	NED, Chairman ED, Chairman & CEO ED, Chairman and CEO ED, Chairman and CEO
Reynato S. Puno	Union Bank Corporation Apex Mining Corporation	ID NED, Vice Chairman
Eric O. Recto	Philippine Bank of Communications PhilWeb Corporation Alphaland Corporation ISM Communications Corporation Atok-Big Wedge Co., Inc.	NED, Chairman NED, Vice Chairman NED, Vice Chairman ED, President NED, Vice Chairman
Margarito B. Teves	Alphaland Corporation Atok-Big Wedge Co., Inc.	ID ID

[5] Until March 18, 2013

[6] ~~Until December 31, 2012.~~

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Ramon S. Ang	Master Year Limited	sole director
Roberto V. Ongpin	Top Frontier Investment Holdings, Inc.	Director, holding 1,999 common shares
Eric O. Recto	Top Frontier Investment Holdings, Inc.	President, holding 1 common share
Iñigo Zobel	Top Frontier Investment Holdings, Inc.	Chairman, holding 1,996,000 common shares equivalent to 29.32% of the outstanding capital stock of Top Frontier
Joselito S. Campos	Top Frontier Investment Holdings, Inc.	Stockholder of 2,000 common shares
Ferdinand K. Constantino	Top Frontier Investment Holdings, Inc.	Director

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

No, the Corporation has not set a limit on the number of board seats in other companies that an individual director may hold simultaneously. However, a director of the Corporation disqualified as a director if he is engaged in any business which competes or is antagonistic to the business of the Corporation as provided in Corporation's By-laws.

According to the Corporation's Manual on Corporate Governance, a director shall exercise due discretion in accepting and holding directorships in other corporations provided that on holding such other directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised.

The Nomination and Hearing Committee shall consider the following guidelines in the determination of the number of directorships which a member of the Board may hold in accordance with the policy on holding multiple board seats under the Manual on Corporate Governance:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	• The nature of the business of the corporations which he is a director • Age of the director • Number of directorships/active membership and officerships in other corporations or organizations. • Possible conflict of interests. The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. Also applicable to independent directors who serve as full time executives in other corporations.	The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

Non-Executive Director	• The nature of the business of the corporations which he is a director • Age of the director • Number of directorships/active membership and officerships in other corporations or organizations. • Possible conflict of interests. The non-executive directors who also serve as full time executives in other corporations shall submit themselves to a low indicative limit on membership in other corporate boards.	The optimum number shall be related to the capacity of a director to perform his duties diligently in general.
CEO	The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards.	The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Eduardo M. Cojuangco, Jr.	1,273,544 (C)		0.04%
Ramon S. Ang	757,873 (C)	368,140,516 (C) Master Year Limited	10.7%
Ferdinand K. Constantino	147,500 (C) 210,609 (P)		0.01%
Estelito P. Mendoza	31,972 (C)		0.00%
Leo S. Alvez	10,000 (C)	9,326 (C) PCD Nominee Corporation	0.00%
Iñigo Zobel	16,171 (C)		0.00%
Joselito D. Campos, Jr.	9,149 (C)		0.00%
Winston F. Garcia	5,000 (C)		0.00%
Menardo R. Jimenez	5,000 (C)		0.00%
Alexander J. Poblador	5,000 (C)		0.00%
Roberto V. Ongpin	5,000 (C)		0.00%
Eric O. Recto	5,000 (C)		0.00%
Thomas A. Tan	5,000 (C)		0.00%
Reynato S. Puno	5,000 (C)		0.00%
Margarito B. Teves	5,000 (C)		0.00%
TOTAL	**2,496,818**	**368,149,842**	**10.75%**

(C) – common shares
(P) – preferred shares

Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [√] No [ ]

Identify the Chair and CEO:

Chairman of the Board/CEO	Eduardo M. Cojuangco, Jr.
President	Ramon S. Ang

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer/President
Role	The Chairman has general supervision, administration and management of the business of the Corporation. He shall preside at meetings of the Board of Directors. The Chairman of the Board is accountable to the stockholders and other stakeholders of the Corporation.	The President shall be the Chief Operating Officer of the Corporation and shall have supervision and direction of the day-to-day business affairs of the Corporation. The President is accountable to the Chairman and to the stockholders and other stakeholders of the Corporation.
Accountabilities	(a) To establish general administrative and operating policies. (b) To initiate and develop programs for management training and development, as well as executive compensation plans. (c) Unless otherwise determined by the Board of Directors, to attend and to act and vote in person or by proxy, for and on behalf of the Corporation, at any meeting of shareholders of any corporation in which the Corporation may hold stock, and at any such meeting, to exercise any and all the rights and powers incident to the ownership of such stock which the owner thereof might possess or exercise if present. (d) To exercise such other powers and perform such other duties and functions as the Board of Directors may, from time to time, assign.	(a) To recommend specific projects for the accomplishment of corporate objectives and policies for the approval of the Chairman and Chief Executive Officer and the Board of Directors. (b) To implement the program for management training and development as defined by, and under the control of, the Chairman and Chief Executive Officer. (c) To insure that the administrative and operating policies are carried out under the direction and control of the Chairman and Chief Executive Officer. (d) To appoint, remove or suspend any and all employees and other subordinate personnel of the Corporation, prescribe their duties, determine their salaries and, when necessary, require bonds in such amounts as he may determine, to secure the faithful discharge by said

		employees of their official trust, subject to the approval of the Executive Committee. (e) To prepare such statements and reports as may be required from time to time by law with respect to corporations organized according to the laws of the Republic of the Philippines. (f) To preside at meeting of the directors and stockholders in the absence of the Chairman and Chief Executive Officer and the Vice Chairman of the Board. (g) To exercise such powers and perform such duties and functions as may be assigned to him by the Chairman and Chief Executive Officer.
Deliverables	• Agenda for Meetings • Chairman's Annual Report • Chairman's Quarterly Report • Statement of Management Responsibility for the Audited Financial Statements • Certificate of Attendance in Board Meetings • SEC Form 17-A (Annual Report) • Others	• Statement of Management Responsibility for the Audited Financial Statements • Certificate of Compliance with Manual of Corporate Governance • SEC Form 17-A (Annual Report) • Others

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

The Board of Directors has oversight responsibilities in the selection and appointment of the Chief Executive Officer who possesses the ability, integrity and expertise necessary for the position. The duties and responsibilities of the Chief Executive Officer are defined by the Board through the Nomination and Hearing Committee.

The Board likewise evaluates the proposed senior management appointments of the Corporation and selects qualified and competent management officers, which functions are exercised through the Executive Compensation Committee.

The Corporation has a Management Development Program which identifies, evaluates and assesses individuals who, in the future, can potentially succeed in top key management positions.

Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Board of Directors is tasked to implement a process of selection to ensure a mix of competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate policies. Directors are required to have a college degree or sufficient experience in managing the business

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.
The Manual requires that the non-executive directors, including the independent directors, shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

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

	Executive	**Non-Executive**	**Independent Director**
Role	To exercise the corporate powers as set forth in the Corporation's articles of incorporation as a member of the Board of Directors. As an executive director, the exercise their specific role as an executive of the Corporation. The executive directors, acting in the capacity as directors, are accountable to the shareholders in view of their fiduciary duties to them.	To exercise the corporate powers as set forth in the Corporation's articles of incorporation as a member of the Board of Directors. The non-executive directors are accountable to the shareholders in view of their fiduciary duties to them.	To exercise the corporate powers as set forth in the Corporation's articles of incorporation as a member of the Board of Directors. To exercise independent judgment in participating in decision making functions of the Board of Directors. The independent directors are accountable to the shareholders in view of their fiduciary duties to them.
Accountabilities	• To foster long term success of the Corporation and secure its sustained competitiveness in a manner consistent with fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. • To formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor the performance of Management. • To conduct themselves with utmost honestly and integrity in the discharge of their duties, functions and responsibilities. • To act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Corporation.	• To foster long term success of the Corporation and secure its sustained competitiveness in a manner consistent with fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. • To formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor the performance of Management. • To conduct themselves with utmost honestly and integrity in the discharge of their duties, functions and responsibilities. • To act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Corporation.	• To foster long term success of the Corporation and secure its sustained competitiveness in a manner consistent with fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. • To formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor the performance of Management. • To conduct themselves with utmost honestly and integrity in the discharge of their duties, functions and responsibilities. • To act in a manner characterized by transparency, accountability and fairness, and in the best interest of the Corporation.

	• To exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.	• To exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.	• To exercise leadership, prudence and integrity in directing the Corporation towards sustained progress. •
Deliverables	• To exercise the powers of the board of directors as stated in Article III, Section 1 and 8 of the Corporation's By-laws. • To perform the Specific Duties and Functions of the Board of Directors as stated in Clause 2.2.1.2, the Internal Control Responsibilities of the Board as stated in Clause 2.2.1.3 and the Duties and Responsibilities of a Director as stated in Clause 2.2.1.4 of the Manual.	• To exercise the powers of the board of directors as stated in Article III, Section 1 and 8 of the Corporation's By-laws. • To perform the Specific Duties and Functions of the Board of Directors as stated in Clause 2.2.1.2, the Internal Control Responsibilities of the Board as stated in Clause 2.2.1.3 and the Duties and Responsibilities of a Director as stated in Clause 2.2.1.4 of the Manual.	• To exercise the powers of the board of directors as stated in Article III, Section 1 and 8 of the Corporation's By-laws. • To perform the Specific Duties and Functions of the Board of Directors as stated in Clause 2.2.1.2, the Internal Control Responsibilities of the Board as stated in Clause 2.2.1.3 and the Duties and Responsibilities of a Director as stated in Clause 2.2.1.4 of the Manual. • To submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an independent director at the time of his election and/or re-election as an independent director. • To sign the Report of the Results of the Audit Committee Self-Rating Form submitted to the Commission.

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

Article III, Section 1-A of the Corporation's By-laws define "independence" as not being an officer or employee of the Corporation, its parent or subsidiaries, or not having a relationship with the Corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Under Clause 2.2.1.6 of the Manual, an independent director is a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation, which could or could reasonably be perceived to materially interfere with the exercise of his independent judgment in carrying out his responsibility as a director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes, the Corporation complies with the SEC Memorandum Circular No. 9, Series of 2011. Under the said memorandum circular, an independent director may only serve for five (5) consecutive years, after which he will be ineligible for election until after two (2) years from his last election, after which he may again serve for another (5) years. After the second five (5) year term, he will be perpetually disqualified to be elected as an independent director of the Corporation.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
Carmelo L. Santiago	Director	June 14, 2012	Not nominated and not reelected. To comply with the term limits on independent directors.
Hector L. Hofilena	Director	June 14, 2012	Not nominated and reelected. To pursue other endeavours.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors. Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 20 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe. The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.	In addition to the qualifications under the Corporation Code, the Corporation prescribes the following qualifications: (a) He shall hold at least five thousand (5,000) shares of stock of the Corporation. (b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education. (c) He shall be at least twenty one (21) years old. (d) He shall have been proven to possess integrity and probity, and (e) He shall be assiduous.
(ii) Non-Executive Directors	Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors.	In addition to the qualifications under the Corporation Code, the Corporation prescribes the following qualifications: (a) He shall hold at least five

	Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 20 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe. The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.	thousand (5,000) shares of stock of the Corporation. (b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education. (c) He shall be at least twenty one (21) years old. (d) He shall have been proven to possess integrity and probity, and (e) He shall be assiduous.
(iii) Independent Directors	Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors. Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 20 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe. The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.	In addition to the qualifications under the Corporation Code, the Corporation prescribes the following qualifications: (a) He shall hold at least five thousand (5,000) shares of stock of the Corporation. (b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education. (c) He shall be at least twenty one (21) years old. (d) He shall have been proven to possess integrity and probity, and (e) He shall be assiduous.
b. Re-appointment		
(i) Executive Directors	Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors. Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 20 of the year during which the election of directors will be held, or such	In addition to the qualifications under the Corporation Code, the Corporation prescribes the following qualifications: (a) He shall hold at least five thousand (5,000) shares of stock of the Corporation. (b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education.

	other date as the Board of Directors may prescribe. The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.	(c) He shall be at least twenty one (21) years old. (d) He shall have been proven to possess integrity and probity, and (e) He shall be assiduous.
(ii) Non-Executive Directors	Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors. Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 20 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe. The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election.	In addition to the qualifications under the Corporation Code, the Corporation prescribes the following qualifications: (a) He shall hold at least five thousand (5,000) shares of stock of the Corporation. (b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education. (c) He shall be at least twenty one (21) years old. (d) He shall have been proven to possess integrity and probity, and (e) He shall be assiduous.
(iii) Independent Directors	Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors. Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 20 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe. The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the	In addition to the qualifications under the Corporation Code, the Corporation prescribes the following qualifications: (a) He shall hold at least five thousand (5,000) shares of stock of the Corporation. (b) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education. (c) He shall be at least twenty one (21) years old. (d) He shall have been proven to possess integrity and probity, and (e) He shall be assiduous.

	Committee presents to the Board of Directors a list of the nominees for election.	
c. Permanent Disqualification		
(i) Executive Directors	Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors. Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 20 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe. The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election. If there appears to be a disqualification based on conflict of interest, the Nomination and Hearing Committee shall bring the same to the Board of Directors for resolution. The declaration of disqualification shall be determined by 3/4th vote of the Board of Directors.	<u>Under the By-laws</u> • Engaged in a business which competes with or is antagonistic to that of the Corporation ○ He/she is an officer or manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares or, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least 3/4th vote determines to be competitive or antagonistic to that of the Corporation. ○ He/she is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least 3/4th vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors. ○ If the Board, in the exercise of its judgment in good faith, determines by at least 3/4th vote that he/she is a nominee of any person set forth in the two instances indicated above. <u>Under the Manual of Corporate Governance</u> • Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the

		purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; • Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities. • The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained from engaging in any activity

		involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization; • Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions; • Any person who has been adjudged by final judgment or order of the SEC or a competent court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP; • Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; • Any person judicially declared to be insolvent; and • Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

(ii) Non-Executive Directors	Any stockholder may submit to the Nomination and Hearing Committee names of nominees as a member of the Board of Directors. Nominations must be submitted in writing to the Board of Directors through the Corporate Secretary, on or before January 20 of the year during which the election of directors will be held, or such other date as the Board of Directors may prescribe. The Nomination and Hearing Committee screens and determines the qualifications and disqualifications, if any, of the nominees. Thereafter, the Committee presents to the Board of Directors a list of the nominees for election. If there appears to be a disqualification based on conflict of interest, the Nomination and Hearing Committee shall bring the same to the Board of Directors for resolution. The declaration of disqualification shall be determined by 3/4th vote of the Board of Directors.	<u>Under the By-laws</u> • Engaged in a business which competes with or is antagonistic to that of the Corporation ○ He/she is an officer or manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares or, any corporation (other than one in which the Corporation owns at least 30% of the capital stock) engaged in a business which the Board, by at least 3/4th vote determines to be competitive or antagonistic to that of the Corporation. ○ He/she is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least 3/4th vote, the law against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors. ○ If the Board, in the exercise of its judgment in good faith, determine by at least 3/4th vote that he/she is a nominee of any person set forth in the two instances indicated above. <u>Under the Manual of Corporate Governance</u> • Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out

		of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; • Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities. • The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained from engaging in any activity involving securities and banking; or such person is currently the subject of an

		effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization; • Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions; • Any person who has been adjudged by final judgment or order of the SEC or a competent court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP; • Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; • Any person judicially declared to be insolvent; and • Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.
(iii) Independent Directors	Same procedure as above.	<u>Under the By-laws:</u> In addition to the causes for permanent disqualification applicable to directors:

		• An employee, or officer of the Corporation, or its subsidiaries, • Has a relationship with the Corporation which will interfere with the exercise of independent judgment in carrying out the responsibilities as an independent director. <u>Under the Manual of Corporate Governance</u> • Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; • Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in both (a) and (b) of this paragraph, or willfully violating the laws that govern securities and banking activities.

		• The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained from engaging in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization; • Any person convicted by final judgment or order of a competent judicial or administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts or transgressions; • Any person who has been adjudged by final judgment or order of the SEC or a competent court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP; • Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority

		of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; • Any person judicially declared to be insolvent; and • Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment. <u>Under SEC Memorandum Circular No. 9, 2011</u> • Must not have previously served as an independent director of the Corporation for a total of ten (10) years (counted from January 2, 2012).
d. Temporary Disqualification		
	Same procedure as above.	<u>Under the Manual on Corporate Governance</u> • Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; • Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election; • Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared

		himself of any involvement in the alleged irregularity; • If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with; • If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final.
(ii) Non-Executive Directors	Same procedure as above.	<u>Under the Manual on Corporate Governance</u> • Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; • Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election; • Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; • If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be

		lifted if the limit is later complied with; • If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final.
(iii) Independent Directors	Same procedure as above.	<u>Under the Manual on Corporate Governance</u> • Refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists; • Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election; • Dismissal or termination for cause as director of any corporation covered by SEC Memorandum Circular No. 6, series of 2009. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity; • If the beneficial equity ownership of an Independent Director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with; • If any of the judgments or orders cited in the grounds for the permanent disqualification of directors has not yet become final; and • If any person earlier elected as Independent Director of the

		Corporation becomes an Officer, employee or consultant of the Corporation.
e. Removal		
(i) Executive Directors	The Corporation adheres to the process set out in the Corporation Code for the removal of directors.	An executive director may be removed if, while serving as an executive director, he becomes disqualified as a director due to the above-stated causes.
(ii) Non-Executive Directors	The Corporation adheres to the process set out in the Corporation Code for the removal of directors.	A non-executive director may be removed if, while serving as an executive director, he becomes disqualified as a director due to the above-stated causes.
(iii) Independent Directors	The Corporation adheres to the process set out in the Corporation Code for the removal of directors.	An independent director may be removed if, while serving as an executive director, he becomes disqualified as a director due to the above-stated causes.
f. Re-instatement		
(i) Executive Directors	A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.	Cessation of cause for temporary disqualification.
(ii) Non-Executive Directors	A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent, except in the case of temporary disqualification where the Independent Director becomes an Officer, employee or consultant of the Corporation.	Cessation of cause for temporary disqualification.
(iii) Independent Directors	A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the	Cessation of cause for temporary disqualification.

	disqualification shall become permanent, except in the case of temporary disqualification where the Independent Director becomes an Officer, employee or consultant of the Corporation, in which case such disqualified Independent Director shall become eligible for election as Independent Director after the lapse of two (2) years from the termination of his officership, employment or consultancy with the Corporation.	
g. Suspension		
(i) Executive Directors	The Corporation does not have a policy on suspension of directors other than the procedure in case there is a temporary disqualification.	N/A
(ii) Non-Executive Directors	The Corporation does not have a policy on suspension of directors other than the procedure in case there is a temporary disqualification.	N/A
(iii) Independent Directors	The Corporation does not have a policy on suspension of directors other than the procedure in case there is a temporary disqualification.	N/A

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Eduardo M. Cojuangco, Jr.	2,017,187,916
Ramon S. Ang	2,014,967,123
Estelito P. Mendoza	2,021,184,886
Leo S. Alvez	2,022,385,436
Joselito D. Campos, Jr.	2,022,385,435
Ferdinand K. Constantino	1,978,114,798
Menardo R. Jimenez	2,022,385,433
Roberto V. Ongpin	2,014,714,716
Alexander J. Poblador	2,022,653,044
Eric O. Recto	2,014,964,796
Thomas A. Tan	2,022,653,043
Iñigo Zobel	2,022,653,043
Winston F. Garcia	2,022,661,,982
Reynato S. Puno	2,022,653,043
Margarito B. Teves	2,022,653,043

4) Orientation and Education Program

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

The Corporation conducts an orientation program for new directors which is conducted by the Office of the Chief Finance Officer, the Office of the General Counsel and the Office of the Corporate Secretariat together with the Corporate Affairs Office and the San Miguel Foundation Inc. The presentation includes an overview of the business of the Corporation, most recent financial statements results of operations, corporate social responsibility initiatives, the code of ethics, policy on dealings with securities, the manual on corporate governance, functions and duties of the member or the board of directors, the board of directors as a collegial body and reportorial requirements as a member of the board of directors. The orientation sessions are conducted individually which allows the directors to ask questions. Copies of the constitutive documents of the Corporation, and the latest information package of the Corporation, if available, are also given the new director during orientation.

(b) State any in-house training and external courses attended by Directors and Senior Management[7] for the past three (3) years:

(i) Seminar on Corporate Governance, December 9, 2010, conducted by the UP Institute for the Administration of Justice.[8]
(ii) Seminar on Corporate Governance, November 9, 2011, conducted by the UP Institute for the Administration of Justice.[9]
(iii) Seminar on Corporate Governance, December 7, 2012, conducted by the UP Institute for the Administration of Justice.[10]

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Ramon S. Ang	July 11 and 12, 2012	Mandatory Accreditation Programme for Directors of Public Listed Companies (Kuala Lumpur, Malaysia)	Bursatra Sdn. Bhd.
Aurora T. Calderon	July 11 and 12, 2012	Mandatory Accreditation Programme for Directors of Public Listed Companies (Kuala Lumpur, Malaysia)	Bursatra Sdn. Bhd.
Roberto V. Ongpin	January 19, 2012	Corporate Governance for Philippine Banks	Bankers Institute of the Philippines
Eric O. Recto	July 11 and 12, 2012	Mandatory Accreditation Programme for Directors of Public Listed Companies (Kuala Lumpur, Malaysia)	Bursatra Sdn. Bhd.
Thomas A. Tan	December 7, 2012	Seminar on Corporate Governance	UP Institute for the Administration of Justice

[7] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.
[8] Attended by Iñigo Zobel, Menardo R. Jimenez, Leo S. Alvez, Alexander J. Poblador, Ferdinand K. Constantino, Eric O. Recto, Virgilio S. Jacinto, Aurora T. Calderon, Joseph N. Pineda, Lorenzo G. Formoso III, Cecile Caroline U. de Ocampo, and Bella O. Navarra.
[9] Attended by Aurora T. Calderon, and Reynato S. Puno.
[10] Attended by Thomas A. Tan

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Engaging in competitive business is a ground for disqualification to be a member of the Board of Directors.	Employees of the Corporation are expected to give due time and attention to the Corporation in carrying out their duties and responsibilities. The basic expectation is that the employees' actions are made in the best interest of the Corporation. The Corporation, however, acknowledges that employees may pursue outside financial, business or other activities as long as these activities are legal and do not conflict with the regular and conscientious performance of their Corporation obligations and do not result in damage to or misuse of Company reputation, property, products, confidential information, influence of other resources. The Corporation also acknowledges that it has the right to protect itself from possible conflicts of interest on the part of its employees, which might affect its financial and business viability. Conflict of interest arises if a Company officer, employee or close relative of an officer or employee has any financial or business interest in the enterprise of any supplier, competitor, customer or any organization which may benefit from decisions or actions made by the officer or the employee in the execution of Company	Employees of the Corporation are expected to give due time and attention to the Corporation in carrying out their duties and responsibilities. The basic expectation is that the employees' actions are made in the best interest of the Corporation. The Corporation, however, acknowledges that employees may pursue outside financial, business or other activities as long as these activities are legal and do not conflict with the regular and conscientious performance of their Company obligations and do not result in damage to or misuse of Company reputation, property, products, confidential information, influence of other resources. The Corporation also acknowledges that it has the right to protect itself from possible conflicts of interest on the part of its employees, which might affect its financial and business viability. Conflict of interest arises if a Company officer, employee or close relative of an officer or employee has any financial or business interest in the enterprise of any supplier, competitor, customer or any organization which may benefit from decisions or actions made by the officer or the employee in the execution of Company responsibilities, and the

		responsibilities, and the officer or employees knowledge of the Corporation's confidential information, actions or future plans. A conflict of interest may also arise when the interest of an officer or an employee of the Corporation in an outside organization takes a significant amount of time and attention such that it adversely affects the performance of his or her duties and responsibilities in the Corporation. Consistent with the Corporation's outlook ad approach on employee discipline, the Corporation lays the accountability in the hands of the officers and employees to disclose possible conflicts of interest. Any possible conflicts of interest must be disclosed by the officer or employee involved to his or her immediate superior who will, in turn, review and resolve the conflict situation based on guidelines and in consultation with Management.	officer or employees knowledge of the Company's confidential information, actions or future plans. A conflict of interest may also arise when the interest of an officer or an employee of the Corporation in an outside organization takes a significant amount of time and attention such that it adversely affects the performance of his or her duties and responsibilities in the Corporation. Consistent with the Corporation's outlook ad approach on employee discipline, the Corporation lays the accountability in the hands of the officers and employees to disclose possible conflicts of interest. Any possible conflicts of interest must be disclosed by the officer or employee involved to his or her immediate superior who will, in turn, review and resolve the conflict situation based on guidelines and in consultation with Management.
(b) Conduct of Business and Fair Dealings	The Code of Ethics provides that an SMC employee must exercise corporate citizenship and protect the corporate interest by conducting business affairs in fairness, honesty and in compliance with law.	The Code of Ethics provides that an SMC employee must exercise corporate citizenship and protect the corporate interest by conducting business affairs in fairness, honesty and in compliance with law.	The Code of Ethics provides that an SMC employee must exercise corporate citizenship and protect the corporate interest by conducting business affairs in fairness, honesty and in compliance with law.
(c) Receipt of gifts from third parties	The Code of Ethics mandate that the employee should uphold the corporate interest and not grant undue personal favors, especially in matters of awarding dealership and	The Code of Ethics mandate that the employee should uphold the corporate interest and not grant undue personal favors, especially in matters of awarding dealership and	The Code of Ethics mandate that the employee should uphold the corporate interest and not grant undue personal favors, especially in matters of awarding dealership and

	contracts or in hiring and similar activities. The Employee must exercise utmost discretion in accepting personal favors or gifts from individuals or entities seeking or doing business with the Corporation and refuse any gift that might be considered as bribery in any form.	contracts or in hiring and similar activities. The Employee must exercise utmost discretion in accepting personal favors or gifts from individuals or entities seeking or doing business with the Corporation and refuse any gift that might be considered as bribery in any form.	contracts or in hiring and similar activities. The Employee must exercise utmost discretion in accepting personal favors or gifts from individuals or entities seeking or doing business with the Corporation and refuse any gift that might be considered as bribery in any form.
(d) Compliance with Laws & Regulations	The Corporation believes that the objective of achieving superior business results is consistent with the commitment to conduct business in a lawful and responsible manner. All employees are expected and directed to comply with all laws and applicable regulations, and to conduct business n accordance with the highest standards of business ethics. It is every employee's responsibility to know and to understand legal and policy requirement as they apply the same to their task, and to notify management when they believe a violation of law or a Company policy has been committed.	The Corporation believes that the objective of achieving superior business results is consistent with the commitment to conduct business in a lawful and responsible manner. All employees are expected and directed to comply with all laws and applicable regulations, and to conduct business n accordance with the highest standards of business ethics. It is every employee's responsibility to know and to understand legal and policy requirement as they apply the same to their task, and to notify management when they believe a violation of law or a Company policy has been committed.	The Corporation believes that the objective of achieving superior business results is consistent with the commitment to conduct business in a lawful and responsible manner. All employees are expected and directed to comply with all laws and applicable regulations, and to conduct business n accordance with the highest standards of business ethics. It is every employee's responsibility to know and to understand legal and policy requirement as they apply the same to their task, and to notify management when they believe a violation of law or a Company policy has been committed.
(e) Respect for Trade Secrets/Use of Non-public Information	The Code of Ethics require that the employee should protect with zeal and caution confidential knowledge or data on products, business strategies, processes, systems or other important information during or even after employment with the Corporation.	The Code of Ethics require that the employee should protect with zeal and caution confidential knowledge or data on products, business strategies, processes, systems or other important information during or even after employment with the Corporation.	The Code of Ethics require that the employee should protect with zeal and caution confidential knowledge or data on products, business strategies, processes, systems or other important information during or even after employment with the Corporation.
(f) Use of Company Funds, Assets and Information	The Code of Ethics mandate that the employee should utilize Corporation property, funds, equipment and time solely for the purpose required by the Corporation.	The Code of Ethics mandate that the employee should utilize Corporation property, funds, equipment and time solely for the purpose required by the Corporation.	The Code of Ethics mandate that the employee should utilize Corporation property, funds, equipment and time solely for the purpose required by the Corporation.

(g) Employment & Labor Laws & Policies	N/A The relationship between directors and the Corporation is not covered by labor laws.	N/A The relationship between senior management who are by-law officers and the Corporation is not covered by labor laws.	It is the policy of the Corporation to be a concerned an progressive employer and believes firmly in treating its employees with respect and compensating them well. The Corporation also maintains that the income, security and tenure, working conditions, quality of life and long term growth and development of each employee depends on the success of the business. The Corporation's labor relations policy is guided by the following principles: • Industrial Peace The Corporation expects each employee to obey and comply with lawful Company orders, rules and regulations and policies. The Corporation firmly believes in industrial peach as a precursor to successful conduct of business. It is imperative for both management and labor to respect each other's rights and cooperate in a spirit of mutual benefits and understanding toward promotion of workers interest and the attainment of business targets. • Respect for Rights The Corporation upholds the right of the union and seeks to provide an environment where the employees' rights as union members are recognized. The Corporation seeks, above all, harmony and mutual trust,

			preferring open communication and sympathetic understanding of each other's capabilities and constraints. • Good Faith and Goodwill The Corporation believes that optimal relationship with labor is one that is based on good faith, goodwill and a shared acceptance that the interest of employees is best served through enhancement of the Corporation's success, that the Corporation considers all the good, competitive, productive employees as its most useful asset, and that the Corporation, when able, will provide its employees with compensation and working conditions comparable to the best in the industry. • Right to Discipline The Corporation will always uphold and exercise its right to discipline its employees. It will respect and comply with due process. Employees found guilty of an offense will be meted out the appropriate penalty. Management will promulgate rules and regulations in accordance with law.
(h) Disciplinary action	Grounds for removal of directors are dealt with by the Nomination and Hearing Committee and ultimately, the Board of Directors.	Discipline is guided by the following principles and policies: • Rules must be clearly documents and communicated to all affected. • Rules should clearly state the standards of personal behavior and	Discipline is guided by the following principles and policies: • Rules must be clearly documents and communicated to all affected. • Rules should clearly state the standards of personal behavior and

		conduct as well as define the acts as forms of behavior prohibited and punishable. • Corresponding penalties for each violation shall also be spelled out and defined. • Investigations and proceedings shall be expeditious, transparent, and consistent with requirements of law. Disciplinary action shall be imposed immediately upon judgment. • Discipline must be imposed consistently.	conduct as well as define the acts as forms of behavior prohibited and punishable. • Corresponding penalties for each violation shall also be spelled out and defined. • Investigations and proceedings shall be expeditious, transparent, and consistent with requirements of law. Disciplinary action shall be imposed immediately upon judgment. • Discipline must be imposed consistently.
(i) Whistle Blower	The Corporation has an established whistle-blowing policy aimed at encouraging employees to speak out and call the attention of Management to any suspected wrongdoing which is contrary to the principles of the Code of Ethics and violations of the Corporation's rules and regulations. The policy aims to protect the whistle blower from retribution or retaliation, and provides a disincentive to passively allowing the commission of wrongful conduct. The whistle blowing policy provides for procedures for interested parties to communicate, even anonymously, concerns regarding accounting, internal	The Corporation has an established whistle-blowing policy aimed at encouraging employees to speak out and call the attention of Management to any suspected wrongdoing which is contrary to the principles of the Code of Ethics and violations of the Corporation's rules and regulations. The policy aims to protect the whistle blower from retribution or retaliation, and provides a disincentive to passively allowing the commission of wrongful conduct. The whistle blowing policy provides for procedures for interested parties to communicate, even anonymously, concerns regarding accounting, internal	The Corporation has an established whistle-blowing policy aimed at encouraging employees to speak out and call the attention of Management to any suspected wrongdoing which is contrary to the principles of the Code of Ethics and violations of the Corporation's rules and regulations. The policy aims to protect the whistle blower from retribution or retaliation, and provides a disincentive to passively allowing the commission of wrongful conduct. The whistle blowing policy provides for procedures for interested parties to communicate, even anonymously, concerns regarding accounting, internal

	accounting, auditing or financial reporting matters directly to the SMC Audit Committee.	accounting, auditing or financial reporting matters directly to the SMC Audit Committee.	accounting, auditing or financial reporting matters directly to the SMC Audit Committee.
(j) Conflict Resolution	The Compliance Officer is tasked with the duty to monitor compliance with the provisions and requirements of the Manual. Any dispute involving the directors relating to the interpretation of the Manual may be referred to the Compliance Officer.	The President and Chief Operating Officer shall have supervision and direction of the day-to-day business affairs if the Corporation. The Senior Officers directly report to the President and Chief Operating Officer. Any potential conflict involving Senior Management should be a matter within the exercise of the power of the President and Chief Operating Officer.	Conflict Resolution involving employees are referred to Corporate Human Resources for mediation and consultation.

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

Yes.

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

All employees of the Corporation are provided a copy of the San Miguel Corporation Employee Handbook and are required to acknowledge receipt of the same. The acknowledgement states that the employee understood its contents and commits themselves to comply with the items contained therein, the core purpose and values sought to be achieved and the policies governing the Companies activities.

As stated in the Employee Handbook of the Corporation, the Corporation believes that the highest form of discipline is self discipline. Discipline is not merely a restraint on one's behavior but a total conditioning of oneself for the highest achievable levels of performance. The Corporation aims to create an environment wherein excellent performance and exemplary behavior are the preoccupation of all its employees. Each employee is expected to actively live the Company values. Consistent with the values of the Corporation, the Corporation believes in discipline as an exercise in reform rather than punishment. Employees who violate policies, rules and regulations will be given the opportunity to be heard and given due process. Corrective actions are designed to provide the employee maximum opportunity to reform and desist from further violation. However, the Corporation acknowledges rules may need to be enforced with authority. Thus the Corporation stipulates that employees violating principles, rules and regulations are given disciplinary actions in progressively increasing severity. This excludes grave offenses for which an employee may be discharged immediately following a lawful investigation.

Discipline is guided by the following principles and policies:

- Rules must be clearly documents and communicated to all affected.
- Rules should clearly state the standards of personal behavior and conduct as well as define the acts as forms of behavior prohibited and punishable.
- Corresponding penalties for each violation shall also be spelled out and defined.
- Investigations and proceedings shall be expeditious, transparent, and consistent with requirements of law. Disciplinary action shall be imposed immediately upon judgment.
- Discipline must be imposed consistently.

Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the Corporation and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	N/A, the Corporation is not a subsidiary of another company.
(2) Joint Ventures	The Corporation, certain subsidiaries and their shareholders, and associates in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders.
(3) Subsidiaries	The Corporation, certain subsidiaries and their shareholders, and associates in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders.
(4) Entities Under Common Control	The Corporation, certain subsidiaries and their shareholders, and associates in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders.
(5) Substantial Stockholders	The Corporation, certain subsidiaries and their shareholders, and associates in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders.
(6) Officers including spouse/children/siblings/parents	As provided under Article III, Section 9 of the Corporation's By-laws, the vote of two thirds (2/3) of the Board of Directors constituting a quorum shall be required to approve the following: (a) Contracts between the corporation and one or more of its directors or officers or their affiliates provided further that: (a)
(7) Directors including spouse/children/siblings/parents	

	the presence of such director in the board meeting in which the said contracts were approved shall not be considered for determining a quorum for such meeting; (2) that such director shall not vote for the approval of the contract; (3) that the contract is fair and reasonable under the circumstances; and (4) that full disclosure of the interest of the director, officer and/or affiliate involved, must be made at such meeting or if the interest is acquired subsequently, at the first meeting thereafter. An affiliate for purposes of these By-laws shall refer to an entity linked directly or indirectly to said directors or officers by means of their ownership, control or power to vote ten percent (10%) or more of the outstanding capital stock thereof. (b) Management Contracts. (c) The appointment or contracting or any buying or selling agent whose compensation or commission is at least 50% of the Corporation's respective total purchases or sales for the immediately preceding fiscal year; or the appointment or contracting of any person, whether natural or juridical, as contractor, consultant, trustee or in any other capacity, whose compensation or commission is at least 5% of the Corporation's total expenditure for that particular expense item or items. Under the Corporation's Policy on Conflict of Interest, a close relative is defined as (1) spouse, (b) father or mother, (3) son, daughter, brother or sister, and their respective spouses, (4) uncle, aunt, niece, nephew, or first cousin and each of their respective spouses.
(8) Interlocking director relationship of Board of Directors	As provided under Section 33 of the Corporation Code.

(b) Conflict of Interest

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

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

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	
Estelito P. Mendoza	Director Mendoza is a practicing lawyer with a varied clientele, including a competitor of the Corporation's beer business. Atty. Mendoza abstains from any voting involving any possible conflict of interest.
Joselito D. Campos, Jr.	Director Campos is the Chief Operating Officer of Del Monte Pacific Limited whose subsidiaries are clients of the Corporation's packaging business.
Roberto V. Ongpin	Director Ongpin is the Chairman and CEO of Alphaland Corporation and Atok-Big Wedge Co., Inc. which are also in the property and mining business as the Corporation.
Eric O. Recto	Director Recto is the Chairman of Philippine Bank of Communications which is a depositary bank of the Corporation. He is also Vice Chairman of Alphaland Corporation and Atok-Big Wedge Co., Inc. which are also in the property and mining business as the Corporation.

Margarito B. Teves	Independent Director Teves is also an independent director of Alphaland Corporation and Atok-Big Wedge Co., Inc. which are also in the property and mining business as the Corporation.
Reynato S. Puno	Independent Director Puno is a director and Vice Chairman Apex Mining Corporation which is also in the mining business as the Corporation.
Name of Officer/s	
N/A	
Name of Significant Shareholders	
Top Frontier Investment Holdings, Inc.	The Corporation is a substantial shareholder of Top Frontier Investment Holdings, Inc.
Master Year Limited	Mr. Ramon S. Ang, President and Chief Operating Officer of the Corporation is the sole director of Master Year LImited

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Directors, Officers and Employees are required to disclose the extent of their business interests in order to determine any possible conflicts of interest. Failure to disclose fully is a ground for temporary disqualification as a director. In accordance with the Policy on Conflict of Interest, a Full Business Interest Disclosure Form is required to be submitted upon their appointment.
Group	Directors, Officers and Employees are required to disclose the extent of their business interests in order to determine any possible conflicts of interest. Failure to disclose fully is a ground for temporary disqualification as a director. In accordance with the Policy on Conflict of Interest, a Full Business Interest Disclosure Form is required to be submitted upon their appointment.

4) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[11] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	**Type of Relationship**	**Brief Description of the Relationship**
Top Frontier Investment Holdings, Inc.	Business	The President and Chief Operating Officer, Ramon S. Ang is a director of Top Frontier.
Master Year Limited	Business	The sole director of Master Year Limited is Ramon S. Ang

[11] Family relationship up to the fourth civil degree either by consanguinity or affinity.

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Same as Item 4(a) above.		

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

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

5) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	The Office of the Corporate Secretariat addresses concerns of stockholders and potential disputes between the Corporation and stockholders.
Corporation & Third Parties	The Corporation, through the Office of the General Counsel has adopted standard contracts some of which incorporate dispute resolution methods outside the courts, primarily through arbitration, either local or international. The Board of Directors designated corporate officers to amicably settle disputes with third parties, who may or may not be counterparties to a contract.
Corporation & Regulatory Authorities	The Compliance Officer is tasked to appear before the Commission upon summons on relevant matters that need to be clarified. The Corporation as a matter of policy exhausts all possible means to amicably settle potential disputes with regulatory authorities by responding to official queries and complying with directives as may be necessary and appropriate.`

C. BOARD MEETINGS & ATTENDANCE

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

The Board of Directors' meetings are scheduled and approved by the board of directors before the beginning of the year, on the last meeting of the Board for the prior year. For the 2012 board meetings, the Board of Directors approved the proposed schedule of meetings for 2012 on December 15, 2011.

2) Attendance of Directors ***(As amended in accordance with the Letter-Advise to the Exchange dated 30 January2014)***

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Eduardo M. Cojuangco	06/07/2011	***10***	***10***	***100%***
Member	Ramon S. Ang	06/07/2011	***10***	***10***	***100%***
Member	Estelito P. Mendoza	06/07/2011	***10***	***9***	***90%***
Member	Leo S. Alvez	06/07/2011	***10***	***10***	***100%***
Member	Joselito D. Campos, Jr.	06/07/2011	***10***	***9***	***90%***
Member	Ferdinand K. Constantino	06/07/2011	***10***	***10***	***100%***
Member	Menardo R. Jimenez	06/07/2011	***10***	***10***	***100%***
Member	Roberto V. Ongpin	06/07/2011	***10***	***10***	***100%***
Member	Alexander J. Poblador	06/07/2011	***10***	***10***	***100%***
Member	Eric O. Recto	06/07/2011	***10***	***10***	***90%***
Member	Thomas A. Tan	06/14/2012	***10***	***10***	***100%***
Member	Iñigo Zobel	06/07/2011	***10***	***10***	***100%***
Independent	Winston F. Garcia	06/07/2011	***10***	***9***	***90%***
Independent	Reynato S. Puno	06/07/2011	***10***	***10***	***100%***
Independent	Margarito B. Teves	06/14/2012	***10***	***8***	***80%***

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

No, the non-executive directors do not have a separate formal meeting during the year.

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

Article III, Section 7 of the Corporation's By-laws state that a majority of the directors shall constitute a quorum for the transaction of business.

5) Access to Information

(a) How many days in advance are board papers[14] for board of directors meetings provided to the board?

Article III, Section 6 of the Corporation's By-laws state that notice of meetings shall be sent to the directors at least twenty four (24) hours prior to the time fixed for the meeting.

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

Yes, members of the Board shall be given independent access to Management and Corporate Secretary as provided in the Manual on Corporate Governance.

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

[14] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

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

Yes, the Corporate Secretary and the Assistant Corporate Secretaries are admitted to the practice of law in the Philippines with years of experience as corporate counsels.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [✓] No [ ]

Committee	Details of the procedures
Executive	The members of the committee have independent access to Management and the Corporate Secretary who can provide them with the information necessary to prepare in advance for the meetings.
Audit	The members of the committee have independent access to Management (including the internal auditors) and the Corporation Secretary who can provide them with the information necessary to prepare in advance for the meetings.
Nomination and Hearing	The members of the committee have independent access to Management (including the head of Human Resources who is an ex-officio member of the Nomination and Hearing Committee) and the Corporate Secretary who can provide them with the information necessary to prepare in advance for the meetings.
Executive Compensation	The members of the committee have independent access to Management (including the Chief Finance Officer) and the Corporate Secretary who can provide them with the information necessary to prepare in advance for the meetings.
Others (specify)	N/A

6) External Advice

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

Procedures	Details
Section 2.2.1.8 of the Manual on Corporate Governance	Upon reasonable request, directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Corporation, which expense must be reasonable.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None		

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The Corporation has developed a compensation structure and fixed and variable remuneration. It had engaged an independent consulting firm, Watson Wyatt to assist in the evaluation of the appropriate fixed compensation structure.	The Corporation has developed a compensation structure and fixed and variable remuneration. It had engaged an independent consulting firm, Watson Wyatt to assist in the evaluation of the appropriate fixed compensation structure.
(2) Variable remuneration	The basis for the variable compensation is the attainment of earnings targets of the business.	The basis for the variable compensation is the attainment of earnings targets of the business.
(3) Per diem allowance	The per diem allowance of the CEO as a member of the board of directors was set by the Board of Directors upon the recommendation of the Executive Compensation Committee on June 17, 2010	N/A
(4) Bonus	The basis for the bonus is the attainment of earnings targets of the business.	The basis for the bonus is the attainment of earnings targets of the business.
(5) Stock Options and other financial instruments		
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Article III, Section 10 of the Corporation's By-laws provide that, as compensation, the Board of Directors shall receive no more than two percent (2%) of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other	Fixed Remuneration based on industry standards, and variable remuneration based on the financial performance of the Corporation.	As to the variable remuneration, the net income of the Corporation is the basis for the variable remuneration.

	properties. Such compensation shall be apportioned among the directors in such manner as the Board, duly assembled as a board, may deem proper. As a matter of policy, the Corporation has been giving variable remuneration much lower than 2%, which is the upper limit.		
Non-Executive Directors	Article III, Section 10 of the Corporation's By-laws provide that, as compensation, the Board of Directors shall receive no more than two percent (2%) of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board, duly assembled as a board, may deem proper. As a matter of policy, the Corporation has been giving variable remuneration much lower than 2%, which is the upper limit.		As to the variable remuneration, the net income of the Corporation is the basis for the variable remuneration.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Ratification of Acts	May 31, 2010
Ratification of Acts	June 7, 2011
Ratification of Acts	June 14, 2012

Article III, Section 10 of the Corporation's By-laws provide that, as compensation, the Board of Directors shall receive no more than two percent (2%) of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board, duly assembled as a board, may deem proper. The foregoing provision was approved by the stockholders on 16 July 1979.

Stockholders ratify all acts of the board of directors and management of the Corporation in the annual meetings, and such acts include the approval of directors' fees as approved by the Board of Directors upon the recommendation of the Executive Compensation Committee.

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	₱115.2 million		
(b) Variable Remuneration	₱12.9 million	₱38.7 million	₱12.9 million
(c) Per diem Allowance	₱1,620,000	₱3,970,000	₱1,370,000
(d) Bonuses			
(e) Stock Options and/or other financial instruments			
(f) Others (Specify)			
Total	₱129.72 million	₱42.67million	₱14.27 million

Other Benefits	Executive Directors[15]	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances		None	None
2) Credit granted		None	None
3) Pension Plan/s Contributions		None	None
(d) Pension Plans, Obligations incurred		None	None
(e) Life Insurance Premium		None	None
(f) Hospitalization Plan		None	None
(g) Car Plan		None	None
(h) Others (Specify)		None	None
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Eduardo M. Cojuangco, Jr.	4,600,406		4,600,406	0.13%
Ramon S. Ang	3,349,893		3,349,893	0.10%
Ferdinand K. Constantino	473,020		473,020	0.01%

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

None.

Incentive Program	Amendments	Date of Stockholders' Approval
N/A		

[15] Other benefits are received by the Executive Directors in the capacity as employees and not as directors.

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Virgilio S. Jacinto, SVP General Counsel and Corporate Secretary	₱99,319,56.15
Joseph N. Pineda, SVP Deputy Chief Finance Officer	
Aurora T. Calderon, SVP Senior Executive Assistant to the Office of the President	
Lorenzo G. Formoso III, VP Head of New Businesses	
Ma. Cristina N. Menorca, Head of Corporate Human Resources	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	3	1	None	The Executive Committee, when the Board is not in session, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation except those powers granted under Sections 8 (l), (m) and (n) of the By-laws or as specifically limited by law or by the Board.	The Executive Committee, when the Board is not in session, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation except those powers granted under Sections 8 (l), (m) and (n) of the By-laws or as specifically limited by law or by the Board.	The Executive Committee, when the Board is not in session, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation except those powers granted under Sections 8 (l), (m) and (n) of the By-laws or as specifically limited by law or by the Board.
Audit	1	2	2	Yes	To assist the Board in fulfilling its oversight responsibility of the Corporation's corporate	1.1 Financial Statements and Disclosure Matters 1.1.1 Review all interim and annual financial statements against their	Oversight responsibility on the Corporation's corporate governance

					governance processes relating to the: • Quality and integrity of the Corporation's financial statements and financial reporting process; • Effectiveness of the Corporation's internal control systems; • Independence and performance of its internal and external auditors; • Compliance by the Corporation with accounting standards, legal and regulatory requirements, including the Corporation's disclosure policies and procedures; • Evaluation of management's process to assess and manage the Corporation's enterprise risk issues; and • Fulfillment of the other responsibilities set out in the Audit Committee Charter.	compliance with pertinent Philippine and internationally accepted accounting standards, internal financial management, as well as tax, legal and other regulatory requirements before submission to the Board, with particular focus on the following: (i) changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from the audit; (iv) going concern assumptions; (v) disclosures of material information, subsequent events and related party transactions. 1.1.2 Review with management and the external auditors the results of the audit, including any difficulties encountered, any material errors and/or fraud identified, unusual or complex transactions and other issues warranting the attention of the Committee, and resolve any disagreements between management and the external auditors regarding financial reporting. 1.1.3 Review with management, internal auditors and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards. 1.2 <u>Internal Controls and Risk Management</u> 1.2.1 Obtain, review and consider reports, communications and analysis submitted to the Committee by management, and the internal and external auditors the Corporation, on financial and internal controls and systems of	processes

						the Corporation, and those required by the applicable auditing or accounting standards, including such reports, communications and analysis on: (i) significant or critical financial reporting and internal control issues and practices, including weaknesses and deficiencies noted in these systems, processes and practices; (ii) external auditor's responsibility under applicable auditing or accounting standards; (iii) detection of fraud and illegal acts affecting integrity of internal controls and financial reporting systems and process, and which cause a material misstatement in the financial statements; (iv) significant accounting policies and practices, and changes in such policies and practices; (v) management's judgments and accounting estimates; (vi) adjustments arising from audit; (vii) any material communications between management and the external auditor, including management letters; (viii) any significant disagreements with management; (ix) difficulties in the audit or restrictions in the audit scope, and access to information; or (x) any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response thereto. 1.2.2 Conduct investigations, and consider and make recommendations relating to any communication or report referred to it under	

							the Whistleblowing Policy procedures of the Corporation, or relating to any findings of major investigations on internal control or financial reporting matters as delegated by the Board or on the Committee's own initiative, and management's response thereto. 1.2.3 Consider and make recommendations relating to any communication or report by regulatory agencies relating to the financial statements of the Corporation, and ensure that management undertakes corrective actions, where necessary, in a timely manner. 1.2.4 Ensure the development of a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation, including a framework for fraud prevention and detection, through a step-by-step procedures and policies handbook that will be used by the entire organization. 1.2.5 Monitor and evaluate the effectiveness of the Corporation's internal control system, including information technology security, and risk management processes and policies. 1.2.6 Supervise management in its formulation of accounting policies, rules and procedures on financial reporting including the extent of management's responsibility in the preparation of financial statements of the Corporation and the delineation of the responsibilities pertaining to the external auditors.	

						1.2.7 Understand the scope of the internal and external auditor's review of internal controls over financial reporting, ensuring the independence of one from the other, freedom from interference from outside parties, unrestricted access to such records, personnel and properties of the Corporation necessary to enable them to perform their respective functions. 1.2.8 Ensure that the Corporation has established risk management policies and procedures, and discuss with management and the internal auditor such policies and procedures adopted, particularly those relating to risk identification, assessment and management. 1.2.9 Regularly evaluate the adequacy and effectiveness of management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation, including receipt of regular reports from management on risk exposures and risk management activities. 1.3 <u>Internal Audit Function</u> 1.3.1 Review with management and the head of Corporation's Internal Audit Group the qualifications of an internal auditor and the charter, activities, and organizational structure of the internal audit function. 1.3.2 Confirm the appointment or replacement by management of the head of the Internal Audit Group. The head of the Internal Audit Group shall functionally report directly to the Committee.	

						1.3.3 Review and confirm the annual audit and strategic plans prepared by Corporation's Internal Audit Group in consultation with management, and major changes to the plans, if any. Such plan shall include the audit scope, resources and budget necessary to implement it. The scope of the internal audit examination should cover the evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts, laws, rules and regulations. 1.3.4 Review significant findings and recommendations of the Internal Audit Group and management's response thereto including timetable for implementation to correct weaknesses; and any difficulties encountered by the auditors in the course of their audit (such as restrictions on the scope or access to information). 1.3.5 Require the Internal Audit Group to submit an annual report to the Committee and management of its activities and performance relative to the audit plans, completed audit engagements and strategies approved by the Committee, which shall include significant risk exposures, control issues and such other issues as may be requested by the Committee 1.3.6 Support the internal audit function and provide high-level follow-up of audit recommendations when such action is needed.	

						1.3.7 Review the effectiveness of the internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing. 1.4 <u>External Auditors</u> 1.4.1 Shall be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor. 1.4.2 Assess and monitor the (i) external auditor's professional qualifications, competence, independence and objectivity and require the external auditor to make the statements necessary under applicable auditing standards as regards its relationship and services to the Corporation, discussing any relationship or services which may derogate its independence or objectivity; and (ii) the effectiveness of the audit process in accordance with applicable standards. 1.4.3 Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the Corporation's securities are listed. 1.4.4 Review and approve the nature and scope of the audit plans of	

						the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences. 1.4.5 Review the reports or communications of the external auditors and ensure that management or the Board will provide a timely response to the issues raised in such reports or communications. 1.4.6 Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions. 1.4.7 Ensure that the external auditor or the signing partner of the auditing firm engaged by the Corporation is changed every five (5) years or earlier. 1.5 <u>Compliance with Legal and Regulatory Requirements</u> 1.5.1 Ascertain whether the Corporation has an effective process for determining risks and exposure from litigation and claims from non-compliance with laws and regulations. 1.5.2 Review the results of management's investigation and follow up on any instance of non-compliance (including disciplinary action). 1.5.3 Review findings resulting from examination by regulatory agencies as well as internal and external audits, if any.	

Nomination	2	3	1	Yes	Pursuant to the Corporation's By-laws and the Manual, the Board of Directors of the Corporation constituted the Committee to aid the Board in the screening and shortlisting of all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications as provided in the Manual. The Committee is accountable to the Board for its performance.	(a) Screen and shortlist all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications as provided in the By-laws of the Corporation, the Manual, applicable laws, rules and regulations; (b) Identify and recommend qualified individuals for nomination and election as additional directors or to fill Board vacancies as and when they arise. The election of such additional or replacement directors shall be done in accordance with applicable laws and regulations; (c) Ensure that the Corporation shall have the required number of Independent Directors with the qualifications and none of the disqualifications as provided in applicable laws, regulations and listing rules; (d) Make recommendations to the Board from time to time, as to changes which the Committee believes desirable to the size of the Board, including the establishment of guidelines in the number of directorships which a member of the Board may hold in accordance with the policy on holding multiple board seats under the Manual.	Recommend nominees to the Board, recommend permanent, or temporary disqualification, recommend removal for cause.
Executive Compensation	1	4	2	Yes	Pursuant to the Corporation's By-laws and Manual, the Board of Directors of the Corporation constituted the Committee to aid the Board in ensuring adherence by the Corporation to the best practices of good corporate governance. Specifically, the Committee has the overall responsibility for	The duties and responsibilities of the Committee are to: 1.1 <u>In respect of the remuneration of corporate officers and Directors</u>: 1.1.1 Take recommendations to the Board on the Corporation's policy and structure for remuneration of Directors and senior management, and on the establishment of a formal and transparent procedure for	Overall responsibility for the evaluation and review of the Corporation's compensation plans, policies, and programs for executive officers, the adoption of policies that govern the Corporation's

					the evaluation and review of the Corporation's compensation plans, policies, and programs for executive officers, the adoption of policies that govern the Corporation's compensation and benefit programs, the oversight of plans for executive officers' development and succession, and the fulfillment of its responsibilities as set forth in this Charter. The Committee is accountable to the Board for its performance.	developing policy on such remuneration; 1.1.2 Provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment; 1.1.3 Ensure that the Corporation (i) has coherent remuneration policies and practices which are observed and which enable it to attract and retain executives and Directors who will create value for shareholders and support the Corporation; and (ii) fairly and responsibly rewards executives, taking into consideration the performance of the Corporation, the performance of such executives and the general pay environment; 1.1.4 Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation that may be paid, directly or indirectly, to its Directors and senior executive officers for the previous fiscal year and the ensuing year; and 1.1.5 Ensure that no Director is involved in deciding his own remuneration. 1.2 <u>In respect of the business interest disclosures and conflict of interest</u>: 1.2.1 Ensure that the Full Business Interest Disclosure is part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare all their	compensation and benefit programs, the oversight of plans for executive officers' development and succession, and the fulfillment of its responsibilities as set forth in this Charter. The Committee is accountable to the Board for its performance.

						existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired; 1.2.2 Review the Corporation's policy on conflict of interest; and 1.2.3 Review the existing, or cause the development of a Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts. 1.3 <u>In respect of career advancement</u>: 1.3.1 Review and recommend to the Board all promotions and appointments of officers of the Corporation; and 1.3.2 Review Corporation policies on promotion and career advancement directives and compliance of personnel concerned. 1.4 The Committee shall perform other duties and activities that the Committee or the Board considers appropriate in the context of this Charter.	
Others (specify)	N/A						

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Eduardo M. Cojuangco	05/05/1999	1	1	100%	13 years
Member (ED)	Ramon S. Ang	05/05/1999	1	1	100%	13 years
Member (ED)	Ferdinand K. Constantino	06/14/2012	1		0%[16]	6 months
Member (NED)	Estelito P. Mendoza	04/22/1998	1	1	100%	14 years
Member (NED)	Roberto V. Ongpin	06/14/2012	1		0%[17]	6 months
Member (NED)	Menardo R. Jimenez	05/17/2005	1	1	100%	7 years
Member (ID)	None					

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Margarito B. Teves	06/14/2012	4	2	50%[18]	6 months
Member (ED)	Ferdinand K. Constantino	05/31/2010	4	2	100%	2 years
Member (NED)	Estelito P. Mendoza	05/05/1999	4	3	75%	13 years
Member (NED)	Leo S. Alvez	06/07/2011	4	4	100%	2 years
Member (ID)	Winston F. Garcia	06/27/2002	4	3	75%	10 years

Disclose the profile or qualifications of the Audit Committee members.

Margarito B. Teves was elected as an Independent Director of the Corporation on June 14, 2012 and is the Chairman of the Audit Committee. He is also an Independent Director of Alphaland Corporation and Atok-Big Wedge Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of Think Tank Inc. He was Secretary of the Department of Finance of the Philippine government from 2005 to 2010, and was previously President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 2005, among others. He holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

Ferdinand K. Constantino has been a Director of the Corporation since May 31, 2010. He is a member of the Executive Committee, Audit Committee, Executive Compensation Committee and Nomination and Hearing Committee. He is Senior Vice President, Chief Finance Officer and Treasurer of the Corporation. He also holds, among others, the following positions: President of Anchor Insurance Brokerage Corporation; and a Director of San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, SMC Global Power Holdings Corp., Top Frontier Investment Holdings Inc., Petron Corporation (until March 18, 2013), Ginebra San Miguel Inc. and San Miguel Foods Inc. He is also the Chairman of San Miguel Foundation, Inc. He is also a Director of PAL Holdings, Inc., and Philippine Airlines, Inc. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009); Director of San Miguel Properties, Inc. (2001-2009); and Chief Finance Officer of Manila Electric Company (2009). He has held directorships in various domestic and international subsidiaries of SMC during the last five years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree.

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[16] Not yet a member of the Committee when the meeting was held.

[17] Note yet a member of the Committee when the meeting was held.

[18] Note yet a member of the Committee when the first two meetings for the year 2012 were held.

Estelito P. Mendoza has been a Director of the Corporation since April 21, 1998. He is a Member of the Executive Committee, Audit Committee, and the Chairman of the Nomination and Hearing Committee of the Corporation. He is also a Director of Petron Corporation, Manila Electric Company, Philippine National Bank and Philippine Airlines, Inc., and Chairman of Prestige Travel, Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office. He is also a former Chairman of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank. He graduated from the University of the Philippines College of Law cum laude. He also holds a Master of Laws degree from Harvard Law School.

Leo S. Alvez has been a Director of the Corporation since February 27, 2002 and a Member of the Audit Committee of the Corporation. He is also a Director of Ginebra San Miguel Inc. Ret. Major General Alvez is a former Security Consultant to the Prosecution Panel of the Senate Impeachment Trial of President Joseph Estrada (2000-2001), Vice Commander of the Philippine Army (1998), and Division Commander of the 7th Infantry Division (1996-1998). He is a graduate of the Philippine Military Academy and has a Masters in Business Administration degree from the University of the Philippines.

Winston F. Garcia has been a Director of the Corporation since February 1, 2001, and a Member of the Audit Committee and Executive Compensation Committee of the Corporation. He has been an independent director of the Corporation since May 9, 2006. Atty. Garcia was President and General Manager of the Government Service Insurance System and was Vice Chairman of its Board of Trustees. He also held the following positions: Chairman of the National Reinsurance Corporation of the Philippines, GSIS Mutual Fund, Inc., Asean Forum, Incorporated and Philippine Social Security Association; Director of Philippine National Construction Corporation, and Philippine Health Insurance Corporation; Board Member of Asean Social Security Association; and a Member of the International Insurance Society, Inc., International Social Security Association, and Federation of Afro Insurers and Reinsurers. Atty. Garcia has been a practicing lawyer since 1983. He is a graduate of the San Beda College of Law, and has a Bachelor of Arts in Philosophy from the University of Santo Tomas and Associate in Arts degree in Southwestern University.

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

The Audit Committee performs oversight functions with respect to the Internal and External Auditors of the Corporation, ensuring the independence of one from the other, freedom from interference from outside parties, and their unrestricted access to such records, properties and personnel of the Corporation necessary to enable them to perform their respective audit functions; and review the reports submitted by them. The Audit Committee evaluates and determines any non-audit work performed by External Auditors, including the fees therefor, and ensure that such work will not conflict with External Auditors' duties as such or threaten its independence. An External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation, undertake an independent audit of the Corporation and provide objective assurance on the manner by which the financial statements shall be prepared and presented to the shareholders. The External Auditor, which shall be duly accredited by the SEC, shall be selected and appointed by the shareholders upon recommendation of the Board, after consultations with the Audit Committee.

(c) Nomination and Hearing Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Estelito P. Mendoza	05/05/2003	1	1	100%	9 years
Member (ED)	Ramon S. Ang	05/05/2003	1	1	100%	9 years
Member (ED)	Ferdinand K. Constantino	06/14/2012	1	0	0%[19]	6 months
Member (NED)	Alexander J. Poblador	05/31/2010	1	1	100%	2 years
Member (NED)	Roberto V. Ongpin	05/31/2010	1	1	100%	2 years
Member (ID)	Reynato S. Puno	06/07/2011	1	0	0%[20]	1 year
Member (Ex-O)	Maria Cristina N. Menorca	06/14/2012	1	1	100%	6 months

[19] Not yet a member of the Committee when the meeting was held.
[20] Not yet a member of the Committee when the meeting was held.

(d) Executive Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Menardo R. Jimenez	04/20/2004	2	2	100%	8 years
Member (ED)	Ferdinand K. Constantino	05/31/2010	2	2	100%	2 years
Member (NED)	Joselito D. Campos, Jr.	05/31/2010	2	2	100%	2 years
Member (NED)	Eric O. Recto	05/31/2010	2	2	100%	2 years
Member (ID)	Winston F. Garcia	05/31/2010	2	1	50%	2 years
Member (ID)	Reynato S. Puno	06/14/2012	2	0	0%[21]	6 months

(e) Others (Specify)

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

N/A

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	Carmelo L. Santiago Hector L. Hofileña	Independent Director Santiago and Director Hofileña were not reelected in the Annual Stockholders' Meeting on June 14, 2012
Audit	Carmelo L. Santiago	Independent Director Santiago was replaced by new Independent Director Margarito B. Teves as Chairman of the Audit Committee
Nomination and Hearing	Carmelo L. Santiago David S. Santos	Independent Director Santiago was replaced by Director Ferdinand K. Constantino Ms. Ma. Cristina N. Menorca replaced Mr. David S. Santos as Head of Corporate Human Resources
Executive Compensation	Carmelo L. Santiago	Independent Director Santiago was replaced by Independent Director Reynato S. Puno
Others (specify)		

[21] Not yet a member of the Committee when the meetings were held.

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	Approval of investment in Philippine Airlines and Air Philippines	Viability of the investment
Audit	Audited financial statements Quarterly reports Budget Audit Plan Internal Audit Reports Submission of reportorial requirements such as 17-A and 17-Q	Financial results of the Corporation Financial results of the Corporation Adjustments and changes to the budget Key points and focus of audit plan Findings of the internal audit Recommendation of management
Nomination and Hearing	Evaluation of nominees as members of the Board of Directors	Qualifications and disqualifications
Executive compensation	Evaluation of promotion of officers Directors Fees Executive compensation	Qualifications of proposed promotions Attainment of performance indicators and corresponding amount of fees
Others (specify)		

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	
Audit	Assessment of the Corporation's Compliance with the ASEAN Corporate Governance Scorecard Audit Committee Self-Rating Form	Areas for improvement Results of assessment
Nomination	Screening and evaluation of nominees as directors Assessment of Directors	Qualifications and disqualifications of directors Results of assessment
Executive Compensation Committee	Screening and evaluation of employees for promotion	Qualifications
Others (specify)		

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Objectives and Policies
The Group has significant exposure to the following financial risks primarily from its use of financial instruments, namely, Interest Rate Risk, Foreign Currency Risk, Commodity Price Risk, Liquidity Risk, and Credit Risk.

The Group's principal non-trade related financial instruments include cash and cash equivalents, option deposit, AFS financial assets, financial assets at FVPL, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The Group's trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, finance lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations. The Group's outstanding derivative instruments such as commodity and currency options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the Group's operating and financing activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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

As stated in the Report of the Audit Committee for the year ended December 31, 2012, the Audit Committee reviewed and found adequate the effectiveness and sufficiency of the internal control system, specifically, reviewed and discussed the findings and assessment of the Corporation's internal controls, risk management systems, control and governance process, and financial reporting systems.

(c) Period covered by the review;

The period covered is from January 1, 2012 to December 31, 2012.

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

Risk management system is reviewed annually. The directors' criteria for assessing its effectiveness of the risk management system are whether such risk management policies reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

N/A

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Corporation has the same risk management policy with the Group.

Risk Exposure	Risk Management Policy	Objective
Interest Rate Risk	See below.	
Foreign Currency Risk		
Commodity Price Risk		
Liquidity Risk		
Credit Risk		

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Interest Rate Risk	The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks. On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the Group's operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk. In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.	Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's long-term borrowings and investment securities. Investments acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired or borrowings issued at variable rates expose the Group to cash flow interest rate risk.
Foreign Currency Risk	Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-	The Group's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The Group's risk management

	term foreign currency-denominated borrowings. The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity in the following ways: • retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses; • translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income; and • hedging reserves arising from increases or decreases in foreign exchange gains or losses of the hedged item and the hedging instrument.	objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.
Commodity Price Risk	The Parent Company enters into commodity derivative transactions on behalf of its subsidiaries and affiliates to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.	Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

Liquidity Risk	The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.	Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.
Credit Risk	The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.	Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

(c) Minority Shareholders

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

Risk to Minority Shareholders
Article 7 of the Amended Articles of Incorporation of the Corporation as of September 21, 2012 denies pre-emptive rights to any issuance of common shares and preferred shares.

3) Control System Set Up

(a) Company

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

Risk Exposure	**Risk Assessment** (Monitoring and Measurement Process)	**Risk Management and Control** (Structures, Procedures, Actions Taken)
Interest Rate Risk Foreign Currency Risk Commodity Price Risk Liquidity Risk Credit Risk	The Corporation's risk management system has been established to have a sustainable risk management system that effectively manages the key issues (potential and existing) of the Corporation. The system also embeds risk management into the awareness and day-to-day activities of the Company's officers and employees, integrates the risk management process into the strategic planning process and provides a structured framework for enhancing corporate governance. In particular, the Corporation ensures that its risk management system is aligned with the Corporation's strategic goals and objectives. This is done by establishing risk management goals and objectives that are geared towards the attainment of the strategic goals and objectives of the Corporation. The risk management framework involves processes such as – a. Assessment of business risks. The Corporation's risks are evaluated and measured based on likelihood of impact and opportunity for risk management improvement. Risks are reviewed on a regular basis based on the framework. b. Development of risk management strategies and action plans. c. Monitoring and reporting. Monitoring of risks is conducted on a quarterly and annual basis by the Audit Committee.	The Corporation has a risk management oversight structure composed of management committees and key personnel in order to have an integrated and independent view of the risks across different categories (e.g., strategic, operations, compliance and financial). This also allows the Corporation to address gaps in risk coverage, risk management functional inefficiencies and overlaps as well as confusion among concerned personnel. The risk management process is also continuously improved by assessing its effectiveness through regular feedback and assessment of stakeholders and implementation of appropriate improvements. The Audit Committee takes up matters relating to risk management and exercises oversight functions over internal audit to monitor implementation of the risk management programs of the Corporation.

(b) Group

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Interest Rate Risk Foreign Currency Risk Commodity Price Risk Liquidity Risk Credit Risk	The Corporation's risk management system has been established to have a sustainable risk management system that effectively manages the key issues (potential and existing) of the Corporation. The system also embeds risk management into the awareness and day-to-day activities of the Company's officers and employees, integrates the risk management process into the strategic planning process and provides a structured framework for enhancing corporate governance. In particular, the Corporation ensures that its risk management system is aligned with the Corporation's strategic goals and objectives. This is done by establishing risk management goals and objectives that are geared towards the attainment of the strategic goals and objectives of the Corporation. The risk management framework involves processes such as – a. Assessment of business risks. The Corporation's risks are evaluated and measured based on likelihood of impact and opportunity for risk management improvement. Risks are reviewed on a regular basis based on the framework. b. Development of risk management strategies and action plans. c. Monitoring and reporting. Monitoring of risks is conducted on a quarterly and annual basis by the Audit Committee.	The Corporation has an risk management oversight structure composed of management committees and key personnel in order to have an integrated and independent view of the risks across different categories (e.g., strategic, operations, compliance and financial). This also allows the Corporation to address gaps in risk coverage, risk management functional inefficiencies and overlaps as well as confusion among concerned personnel. The risk management process is also continuously improved by assessing its effectiveness through regular feedback and assessment of stakeholders and implementation of appropriate improvements. The Audit Committee takes up matters relating to risk management and exercises oversight functions over internal audit to monitor implementation of the risk management programs of the Corporation.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	Oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.	The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.
Risk Management Committee	Reports to the Board of Directors.	Responsible for developing and monitoring the risk management policies of the Corporation.
Risk Insurance Management Group	Implementation of the Corporation's policies on risks.	Contracts have to be cleared with RIMG is they deviate from the prescribed policies on risk and insurance.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The overall internal control system of San Miguel Corporation is defined in its "Corporate Policy on Internal Control" to wit:

San Miguel Corporation is committed to establish and maintain a system of Internal Control for the efficient and effective management of its business operations, and improve the effectiveness of risk management, control and governance processes.

Definition and Objectives of Internal Control

Internal control comprises any action taken by management, the board and other parties to enhance risk management, and increase likelihood that established objectives and goals will be achieved. The primary objectives of internal control are to ensure:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operation;
- Safeguarding of assets;
- Compliance with policies, plans, procedures, laws, regulations and contracts, and
- Accomplishment of established objectives and goals for operations or programs.

Responsibility of Managers
Every Manager is responsible for ensuring compliance with all financial and operational controls in his area of operations and must implement internal control as part of the total system to achieve Corporation goals. Managers should conduct a regular evaluation of existing policies, systems and procedures to ensure that these remain relevant and effective to the current operating environment. Further, Managers should give prompt and cooperative consideration to recommended improvement measures made by independent internal or external audit groups.

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

As stated in the Report of the Audit Committee for the year ended December 31, 2012, the Audit Committee reviewed and found adequate the effectiveness and sufficiency of the internal control system, specifically, reviewed and discussed the findings and assessment of the Corporation's internal controls, risk management systems, control and governance process, and financial reporting systems.

(c) Period covered by the review;

The period covered is from January 1, 2012 to December 31, 2012.

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

Internal controls are reviewed annually and the directors' criteria for assessing the effectiveness of the internal control system is whether the internal control fulfilled its function to ensure the reliability and integrity of financial and operational information, the effectiveness and efficiency of operation, the safeguarding of assets, the compliance with policies, plans, procedures, laws, regulations and contracts, and the accomplishment of established objectives and goals for operations or programs.

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

N/A

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
San Miguel Group Audit (SMGA) provides independent, objective assurance and consulting services designed to add value and improve the operations of San Miguel Corporation and its Subsidiaries, and help the SMC Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.	The scope of work of SMGA is to assist the Board and Management in determining whether the risk management, control, and governance processes within the SMC Group, as designed and represented by Management, are adequate and effective in a manner to ensure that: • Significant exposures to risks are appropriately identified and adequately managed. • Significant financial, managerial, and operating information is accurate, reliable, and timely. • Employees' and Corporation's actions are in compliance with policies, standards, procedures, and applicable laws and regulations. • Resources are	In-house with Outsourcing	Audit Head: Ramon R. Bantigue Auditing Firm: Reyes Tacandong & Co.	Functionally to the SMC Board Audit Committee; administratively to the SMC President and Chief Operating Officer

	acquired economically, used efficiently, and adequately protected. • Objectives and goals for operations or programs are achieved. • Effectiveness, efficiency and continuous improvement are promoted in the Corporation's operating systems and processes.			

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

In pursuit of the duties and responsibilities of the SMC Board Audit Committee as provided in its Audit Committee charter in respect of the internal auditor, the Audit Committee has performed the following activities for the year 2012 to ensure the independence of the internal auditor thru direct and unfettered access to the Board, as well as to Company records, properties and personnel in the conduct of internal audit function:

- Establish and identify the reporting line of the head of internal auditor in order that the internal audit function may fulfill its responsibilities free from the interference of outside parties. The head of the internal audit function shall functionally report directly to the Audit Committee;
- Review and approve the internal audit work plans, including scope and audit resources/expenses; and ensure that: (i) the scope of its examination includes evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts and applicable, laws, rules and regulations, and (ii) the internal auditor has the sufficient resources to carry out its functions;
- Review the reports and communications of independent auditors, which shall include key findings and recommendations, internal control ratings and status of the audit plan including planned and completed audit engagements;
- Require the internal audit to submit a regular report to the Audit Committee and Management of its activities and performance relative to the audit plans and strategies approved by the Audit Committee, which shall include significant risk exposures, control issues and such other issues as may be requested by the Audit Committee.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
N/A	

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

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

Progress Against Plans	Completed the 2012 Annual Audit Plan
Issues[22]	N/A
Findings[23]	As contained in the 2012 Quarterly Internal Audit Report to the Board Audit Committee
Examination Trends	Generally adequate and effective internal control

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

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

(f) Audit Control Policies and Procedures

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

Policies & Procedures	Implementation
Policies and Guidelines on Revenue Cycle	Generally in order
Policies and Guidelines on Procurement Cycle	Generally in order
Policies and Guidelines on Supply Chain – Logistics Cycle	Generally in order
Policies and Guidelines on Finance – Treasury Cycle	Generally in order

[22] "Issues" are compliance matters that arise from adopting different interpretations.
[23] "Findings" are those with concrete basis under the company's policies and rules.

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The duties and responsibilities of the SMC Audit Committee as set forth in its Audit Committee Charter are: In respect of the external auditor: ○ To be primarily responsible for making recommendation to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor. ○ Assess and monitor the: (a) external auditor's independence and objectivity and require the external auditor to make the statements required by applicable auditing standards as its relationships and services with the Corporation in this regard, discussing any relationship or services which may derogate its independence or objectivity; and (b)	By the nature of their functions, the Corporation engages independent Financial Analysts. The Corporation is not engaged in the financial services business other than its investment in bank of Commerce through San Miguel Properties, Inc.	By the nature of their functions, the Corporation engages independent Investment Banks. The Corporation is not engaged in the financial services business other than its investment in bank of Commerce through San Miguel Properties, Inc.	By the nature of their functions, the Corporation engages independent ratings agencies. The Corporation is not engaged in the ratings agency business.

the effectiveness of the audit process in accordance with applicable standards; ○ Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the Corporation's securities are listed; ○ Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences; ○ Review the reports or communications of the external auditors and ensure that management or the board will provide a timely response to the issues raised in such reports or communications; ○ Develop and implement policies on the engagement of an external auditor to supply non-audit			

work, and evaluate any non-audit work undertaken by the external auditor tot ensure that the same does not conflict with its audit functions; ○ Ensure that the external auditor or the signing partner of the auditing firm engaged by the Corporation is changed every five (5) years or earlier. In respect of the internal auditor: ○ Establish and identify the reporting line of the head of internal auditor in order that the internal audit function may fulfill its responsibilities free from the interference of outside parties. The head of the internal audit function shall functionally report directly to the Audit Committee; ○ Review and approve the internal audit work plans, including scope and audit resources/expenses; and ensure that: (a) the scope of its examination includes evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protections of			

assets and compliance with contracts and applicable, laws, rules and regulations, and (b) the internal auditor has the sufficient resources to carry out its functions; ○ Review the reports and communications of independent auditors, which shall include key findings and recommendations, internal control ratings and status of the audit plan including planned and completed audit engagements; ○ Require the internal audit to submit a regular report to the Audit Committee and Management of its activities and performance relative to the audit plans and strategies approved by the Audit Committee, which shall include significant risk exposures, control issues and such other issues as may be requested by the Audit Committee.			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Compliance Officer and the President and Chief Operating Officer of the Corporation submit a certification with the Commission that the Corporation has fully complied with the Corporation's Manual on Corporate Governance.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	The Corporation has a corporate quality policy. The Corporation is committed to sustain business excellence and consistently improve shareholder value by providing products and services that delight and secure the loyalty of customers, and a working environment that reflects quality as a way of life.	The Corporation has established a dedicated customer care hotline to ensure feedback from its customers and to immediately address any concern that they have on the quality of the products.
Supplier/contractor selection practice	The Corporation has an established procurement cycle policy which ensures that purchasing synergies are optimized, business opportunity losses are avoided and materials and services are timely delivered.	The selection of suppliers and contractors are subject to bidding with a minimum of three (3) accredited suppliers to be considered per transaction. In some instances, such as in case of strategic or recurring purchases, negotiated contracts are allowed. Adjustments in quotations after bidding must be countersigned but upward price adjustments are subject to stricter requirements.
Environmentally friendly value-chain	The Corporation is committed to the protection, preservation and enhancement of the environment. The Corporation actively contributes toward a clean and health environment for the well being of its employees, consumers and communities where it operates. The Corporation's Environmental Management System focuses on continual improvement, a key philosophy which reflects how the Corporation utilizes its resources and manufactures, packages, distributes and markets its wide range of products.	Consistent with its mission of responsible stewardship of the environment, the Corporation adopts a holistic approach by exercising leadership in providing environmentally acceptable manufacturing processes, products and packaging, actively developing and implementing processes which involve the sustainable use of resources, pollution prevention and waste management, consistently meeting environmental standards, and influencing key stakeholders through the sharing of the Corporation's environmental policy.
Community interaction	The Corporation recognizes that it has a responsibility not just to employees but also to the communities where its businesses operate. As a socially responsible corporate citizen, the Corporation believes that it must provide the employees' family and surrounding communities opportunities to develop values of self-reliance.	Please see portion on corporate social responsibility initiatives.

Anti-corruption programmes and procedures	The Corporation believes that the objective of achieving superior business results is consistent with the commitment to conduct business in a lawful and responsible manner. All employees are expected and directed to comply with all laws and applicable regulations, and to conduct business n accordance with the highest standards of business ethics. It is every employee's responsibility to know and to understand legal and policy requirement as they apply the same to their task, and to notify management when they believe a violation of law or a Company policy has been committed.	Employees are prohibited from soliciting or accepting gifts in any form in connection with their work or employment with the Corporation especially if it concedes and implied obligation to grant a favor or was for a favor already made. The penalty for first offense is discharge.
Safeguarding creditors' rights	The Corporation exercises transparency when dealing with creditors, and ensures that transactions with creditors adhere to fair business practices in order to establish long term and mutually beneficial relationships.	Contracts with creditors are strictly adhered to and obligations are complied with. Know your client requests are promptly handled and addressed.

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

The Corporation's Corporate Social responsibility Report is contained in the Annual Report distributed to stockholders and available for download at the Corporation's website.

Performance-enhancing mechanisms for employee participation.

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

Employee Health

In acknowledgement of the varying needs inherent in every individual, the Corporation endeavours to provide an environment where the holistic wellness of employees is nurtured and protected. The Corporation supports several wellness programs and maintains facilities that take care of the employees' well being. These include the gymnasium, employee clinic and Management Training Center. The Corporation likewise encourages its individual business units to develop and implement employee wellness programs of their own provided they are consistent with Corporation policies and guidelines.

The Corporation provides comprehensive health care service directed at prevention of disease protection from health hazards and maintenance of health. Programs are also implemented to identify personal risks to health and to detect diseases in the early and most treatable stages. The Corporation is also committed to improve the quality of life of its employees through healthy living and piloting of wellness initiatives to encourage employees to maintain active and healthy lifestyles. The Corporation also provides regular information on health to assist employees in making better decisions regarding their health condition as well as that of their dependents.

Employee Protection

The Corporation also strives to protect its employees from harassment of any form. The Corporation actively implements mechanisms for dealing with such occurrences and ensures that it will act justly, swiftly and decisively in addressing such complaints. The Corporation is also committed to promote a work place that is free from drug abuse as it is detrimental to the health, safety and work performance of employees and poses risks to Corporation operations and product quality.

Safety

The Corporation seeks to have accident-free operations in all its offices and production facilities worldwide. The policy on safety is derived from principles, values, legal and regulatory requirements, and is operationalized through the implementation of standards of performance and well-documented standard operating procedures. These are further reinforced by regular installation audits and proactive education of the workforce.

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

The following are the Corporation's health care programs to protect employees and their dependents against financial burdens that come with illness or injury:

1. Health and Welfare Program – This program is being maintained and administered by the Corporation which has its own clinic and accredited third party medical personnel. The plan provides for hospitalization and medical benefits under the plan for qualified employees. The employee may enjoy the benefits under the plan as long as he has accrued sick leave credits. The following are provided: free hospitalization, medical consultation, medicines and medical services.
2. Health and Welfare programs for dependents, provided that the dependents are registered with the Corporation. The plan covers hospitalization, dental, diagnostic procedures, and out patient services. The employee and the Corporation share on a 50-50 basis the insurance premiums. The plan will answer for the room and board, doctors' fees, surgical fees and miscellaneous expenses of eligible dependents, outpatient benefits, subject to certain limits.

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

The Corporation recognizes its responsibility to shape and develop the knowledge, skills and attitudes of its human resources in order to contribute to the professional development of its employees and maintain its competitive position.

The Corporation's training and education philosophy is defined in the following principles:

- Business Contribution

  Training is anchored on the needs of the business and the impact on the Corporation's bottom line. Education and training help optimize the productivity and performance of the employees of the Corporation and enable them to contribute to the profitability of the Corporation.
- Alignment of Needs

  The Corporation's framework creates an environment where the employees have to opportunity to chart their own progress and development so long as these are supportive of the Corporation's strategic directions.

- Holistic Development

  Education and training is holistic and comprehensive in content and approach. The Corporation develops the employee not just on technical or functional expertise but on work support skills and leadership/management. In terms of approach, the Corporation utilized traditional classroom, experiential and mentoring approaches to deliver training.
- Collaborative Partnership and Involvement

  Planning, design and delivery of education solutions are done in partnership with clients and with accredited service providers.

In support of the foregoing policies, the Corporation has an education benefit which provides assistance to employees who wishes to pursue further studies. The program covers free tuition and miscellaneous expenses as well as cost of major books. The Corporation also extends educational loans, interest free, to meet the educational requirements of the employees and their dependents.

The Corporation also has Management and Development Program aimed at ensuring timely availability of the required number of employees at middle manager level and up with the necessary or required education, experience, ambition and personal characteristics to fulfill the short and long term needs of the organization. The MDP involves in depth assessment and the implementation of planned development activities to meet the skill gaps of the employees.

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

The Corporation is guided by the following principles in the design of the salaries and wages of its employees:

- Internal Equity

  The principle creates a hierarchy where positions are valued or equated based on comparable work, responsibility and output. Jobs with more complex content and greater accountability receive commensurably higher pay. The Corporation utilizes a job evaluation system to ensure the foregoing.

- External Competitiveness

  The Corporation's pay scale is competitive with those of comparable companies in the business community. The objective of this principle is to attract external candidates and promote employee retention.

- Business Affordability

  Salary structures while affected by the need to be externally competitive are still anchored on the Corporation's financial capability to pay in order to achieve business performance and continued operations. This principle reinforced the thinking that the Corporation's ability to improve salaries and wages I largely dependent on its bottom-line to which every employee has a personal contribution to make. The principle promotes a personal stake from each employee to improve the Corporation's business performance.

- Performance-based

  The Corporation believes that good performance must be appropriately rewarded. There is a tight link between the Corparation's Performance Management System and its rewards systems. This principle supports the value of teamwork since employees are measured not only in their individual performance but also in the performance of their team, encouraging them to have an active concern for those in the team.

- Non-financial Rewards

  The Corporation uses alternative forms of recognition to reward performance. The different business units are encouraged to develop programs such as citations, awards, performance feedback and mentoring to guide good performers.

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

The Corporation has an established whistle-blowing policy aimed at encouraging employees to speak out and call the attention of Management to any suspected wrongdoing which is contrary to the principles of the Code of Ethics and violations of the Corporation's rules and regulations. The policy aims to protect the whistle blower from retribution or retaliation, and provides a disincentive to passively allowing the commission of wrongful conduct. The whistle blowing policy provides for procedures for interested parties to communicate, even anonymously, concerns regarding accounting, internal accounting, auditing or financial reporting matters directly to the SMC Audit Committee.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Top Frontier Investment Holdings Inc.[24] 5th Floor, ENZO Bldg., No. 339 Sen. Gil Puyat, Makati City	1,573,100,340 common shares	45.73%	Top Frontier Investment Holdings Inc., which owns 49% of the outstanding common stock of the Corporation
Master Year Limited Scotia Centre, 4/F P.O. Box 2804 George Town Grand Cayman KYI-1112, Cayman Islands	368,140,516 common shares	10.70%	Ramon S. Ang, as sole director. He is also President and Chief Operating Officer of the Corporation (Filipino)
PCD Nominee Corporation (Filipino) Makati City	343,931,314 common shares	34.24%	Various individuals/ entities
PCD Nominee Corporation (Filipino) Makati City	833,937,357 Series "2" Preferred Shares		Various individuals/ entities
PCD Nominee Corporation (Non-Filipino) Makati City	104,402,256 Common shares	5.52%	Various individuals/ entities
PCD Nominee Corporation (Non-Filipino) Makati City	85,397,143 Series "2" Preferred Shares		Various individuals/ entities

(b) Senior management

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Virgilio S. Jacinto	25,622 common shares	0	0%
Joseph N. Pineda	42,600 common shares	0	0%
Ferdinand K. Constantino	147,500 common shares 210,609 preferred shares	0	0%
Aurora T. Calderon	2,600 common shares	0	0%
TOTAL	**428,931**		**0%**

[24] The shares owned by Top Frontier Investments Holdings, Inc. are voted, in person or by proxy, by its authorized designate. As of December 31, 2012, Top Frontier Investments Holdings, Inc. has voting rights to a total of 1,573,100,340 shares of the Company which represent about 66.10% of the outstanding common capital stock of the Company. Mr. Roberto V. Ongpin and Mr. Eric O. Recto own 1,999 shares and 1 share, respectively, in Top Frontier.

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	No

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

The Annual Report submitted by the Corporation conforms to the information required to be contained in SEC Form 17-A (Annual Report) or required by the Commission on the foregoing information.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Manabat Sanagustin & Co, CPAs	**₱13 million**	

4) Medium of Communication

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

- Company disclosures
- One-on-one meetings
- Email
- Telephone calls
- Written correspondence

5) Date of release of audited financial report:

April 16, 2012

6) Company Website

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

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

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

7) **Disclosure of RPT**

Please refer to Note 34 of the Corporation's Notes to the Audited Financial Statements on the disclosure on related part transactions.

RPT	Relationship	Nature	Value
See Note 34.			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Corporation, certain subsidiaries and their shareholders, and associates in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. All related party transactions must be done on an arms length basis to safeguard the interests of the Corporation as well as the minority shareholders and other stakeholders.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority of the subscribed capital stock entitled to vote, as prescribed in the Corporation's By-laws

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	In accordance with the Corporation Code.
Description	Corporate acts are approved by motion of stockholders and passed if there are no objections. Same procedure is adopted for the election of directors considering that the number of nominees is equal to the number of board seats.

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	**Stockholders' Rights <u>not</u> in The Corporation Code**
Voting right	Promotion of Shareholder rights • It shall be the duty of the directors to promote shareholder rights, removes impediments to the exercise of shareholder rights and allow possibilities to seek redress for violation of rights. • They shall encourage the exercise of shareholder voting rights and the solution of collective action problems through appropriate mechanisms. • They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating on meetings or voting in person. • The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.
All shareholders shall be allowed to inspect the corporate books and records including minutes of the Board of Directors and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.	The shareholders of the Corporation shall be provided, upon request, with periodic reports which disclose relevant personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and aggregate compensation of directors and officers.
Pre-emptive rights	
Right to dividends	
Appraisal right	

Dividends

Common Shares			
Declaration Date	Record Date	Payment Date	Amount
04/18/2012	05/04/2012	05/28/2012	0.35
07/24/2012	08/10/2012	09/03/2012	0.35
10/11/2012	10/26/2012	11/09/2012	0.35
12/13/2012	01/04/2013	01/30/2013	0.35
Series "1" Preferred Shares			
Declaration Date	Record Date	Payment Date	Amount
03/28/2012	04/17/2012	05/11/2012	1.50
06/14/2012	06/27/2012	07/23/2012	1.50
08/13/2012	08/31/2012	09/10/2012	1.50
08/13/2012	09/11/2012	10/05/2012	1.50
Series "2" Preferred Shares			
Declaration Date	Record Date	Payment Date	Amount
11/14/2012	12/20/2012	01/04/2013	2-A: 1.40625
			2-B: 1.4296875
			2-C: 1.50

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Submission of questions in writing	The Corporate Secretary, at the onset of the Stockholders Meeting, states the ground rules for the conduct of the meeting. Stockholders are requested to submit their questions in writing. Question forms are available from the members of the staff in the venue. The form requires the stockholders asking questions to identify themselves. Priority is given to written questions submitted in advance.
Only stockholders or their proxies shall be allowed to participate in the open forum.	Any stockholder who wishes to ask questions is requested to wait to be acknowledged by the Chairman before speaking. Once acknowledged, the stockholder shall identify himself, or if he is a proxy, he will also identify the party he is representing.
Questions not entertained due to time constraints shall be referred to the Office of the Corporate Secretary.	The Corporate Secretary responds in writing to questions after the meeting, or takes note of suggestions or comments if any.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
    a. Amendments to the company's constitution
    b. Authorization of additional shares
    c. Transfer of all or substantially all assets, which in effect results in the sale of the company

    For the above-cited corporate decisions, the Corporation affords the shareholders the opportunity to participate in such corporate decisions through the distribution of the notice of meeting of shareholders in the form of a definitive information statement which contains in detail the explanation for the proposed shareholder action, including but not limited to amendments to the Corporation's articles and By-laws, the issuance of shares or the transfer of all or substantially all the assets of the Corporation. By practice, the definitive information statement is distributed at least 21 business days prior to the date of the meeting to give the stockholders ample time to communicate with the Corporation on matters relating to such proposed actions.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes.

    a. Date of sending out notices: May 14 2012

    b. Date of the Annual/Special Stockholders' Meeting: June 14, 2012

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

    Excerpts from the Minutes of the Annual Stockholders' Meeting of the Corporation on June 14, 2012:
    "A stockholder asked what are the plans of the Corporation for PAL. Mr. Ramon S. Ang responded that the Corporation, together with the majority stockholder, the Lucio Tan Group of Companies, are preparing the business plan to make PAL operate at the lowest possible cost and at the same time to refleet their aircrafts. He advised that priority should be given to resolve the most pressing issue on the Category 2 rating of the Philippines. PAL likewise plans to invest in a regional airline which will have a good synergy with PAL. The Corporation projects that on its second year as PAL investors, PAL will be able to contribute to the earnings of the Corporation.

    There was another question from another stockholder on the outlook for Petron. Mr. Ang responded that Petron is still affected by the volatility in the global prices of oil. The oil refining and distribution business is affected when there is a downturn in oil prices. The Petron inventory is up to 60 days one of the requirements of the refinery. When there is a reduction in oil prices, the cost of the fuel which is still part of the inventory is more than the market price. We project however that Petron will be able to deliver profits in the second part of the year.

    A stockholder asked whether there are ongoing plans to have partnerships with other investors for the businesses of the Corporation. Mr. Ang replied that the Corporation is evaluating several transactions but cannot disclose the details of the same to the public owing to confidentiality obligations and the interference by other interested parties.

    A stockholder inquired why Magnolia Ice Cream is not available in major selling outlets like SM, and also inquired if there are plans to revive the Flavor of the Month product line. Mr. Ang responded that it is possible that they are not available because of low inventory due to high demand. He added that the Corporation will look into the report and check possible inventory issues with SM. Mr. Ang also added that the revival of the Flavor of the Month product line is being considered.

    A stockholder asked why the price of SMC shares is not appreciating. Mr. Ang replied by saying that the share prices have been consistently at P110.00 per share, and that the Corporation is hoping that it will increase next year.

    A stockholder requested to schedule the annual stockholders meeting in April. He further suggested that more giveaways be given during meetings such as calendars. Mr. Cojuangco replied that the suggestion will be considered but for now, the By-laws of the Corporation provide the schedule of the Stockholders' Meeting for June. Mr. Ang added that the Corporation will endeavour to give more giveaways in the subsequent stockholders' meeting.

A stockholder asked for updates on the IPO of SMC Global Power Holdings Corp. Mr. Ang said that it is possible to conduct the IPO within six (6) months if the timing is good and market conditions favor the same."

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

Resolution	Approving	Dissenting	Abstaining
(a) Approval of minutes of the June 7, 2011 annual stockholders meeting	2,861,710,284	294,000	0
(b) Ratification of all acts and proceedings	2,861,710,284	294,000	0
(c) Approval of the amendment of the amended articles of incorporation to increase the authorized capital stock	2,861,710,284	294,000	0
(d) Approval of the amendment to the articles of incorporation of the Corporation	2,861,710,284	294,000	0
(e) Appointment of external auditors	2,861,710,284	294,000	0

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
   Not published.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Eduardo M. Cojuangco, Jr. Ramon S. Ang Ferdinand K. Constantino Leo S. Alvez Joselito D. Campos, Jr. Estelito P. Mendoza Menrado R. Jimenez, Jr. Roberto V. Ongpin Eric O. Recto Alexander J.	June 14, 2012	By motion and by show of hands	73.60%	26.40%	85.698%

	Poblador Thomas A. Tan Iñigo Zobel Winston F. Garcia Reynato S. Puno Margarito B. Teves Virgilio S. Jacinto Aurora T. Calderon Lorenzo G. Formoso III Ma. Cristina N. Menorca					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?
No.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes, the Corporation's common shares carry one vote per share.
Series "1" and Series "2" preferred shares are not entitled to vote except in those cases expressly provided by law.

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	Article II, Section 4 of the By-laws state that the stockholders may delegate in writing their right to vote. For corporations, proxies must be accompanied by a Corporate Secretary's Certificate setting the corporate officer's authority to represent the corporation in the meeting.
Notary	Not required.
Submission of Proxy	All proxies must be in the hands of the Secretary of the Corporation not later than ten (10) working days before the time set for the meeting.
Several Proxies	In accordance with the Corporation Code and jurisprudence.
Validity of Proxy	Such delegation or proxy shall be valid only for the meeting at which it has been presented to the Secretary.
Proxies executed abroad	Accepted.
Invalidated Proxy	In accordance with the Corporation Code and jurisprudence.
Validation of Proxy	Validation of proxies are held at the principal office of the corporation and open to the public.
Violation of Proxy	In accordance with the Corporation Code and jurisprudence.

(h) Sending of Notices

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

Policies	Procedure
According to Article II, Section 2 of the Corporation's By-laws, the regular meeting of the stockholders may be held without prior notice. As a matter of policy, the Corporation complies with the requirement of the Commission on the sending of notices to stockholders at least 30 days prior to the date of the meeting.	Notices for special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing the notice at least ten (10) days prior to the date of the meeting to each stockholder of record at his last known post office address or by publishing the notice in a newspaper of national circulation at least ten (10) days prior to the date of the meeting. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. Only matters stated in the notice can be the subject of motion or discussions at the meeting. Notice of special meetings may be waived in writing by any shareholder, in person or by proxy, before or after the meeting. When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.
Article II, Section 5 of the Corporation's By-laws provide that for the purpose of determining the stockholders entitled to notice of, or to vote, at, any meeting of stockholders or any adjournment thereof, or of determining which stockholders are entitled to receive payment of any dividend, or of making any other proper determination of stockholders, the Board of Directors may provide that the stock transfer books be closed for a stated period. The Corporation complies with the rules set by the Commission on record dates and closing of the books.	The closing of the books shall not exceed twenty (20) working days. If the stock transfer books be closed for the purpose of determining stockholders entitled to notice of, or to vote at, a meeting of stockholders, such closure of books shall in no case be earlier than forty five (45) working days nor later than ten (10) working days prior to the date of such meeting. In lieu of closing the stock transfer books, the Board of Director may fix in advance a date as the record date for any such determination of stockholders. Such date shall in no case be more than forty-five (45) working days nor less than ten (10) working days prior to the date on which the particular action requiring such determination of stockholders is to be taken, except in instances where applicable rules and regulations provide otherwise.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	39,432
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 14, 2012
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 14, 2012
State whether CD format or hard copies were distributed	Both
If yes, indicate whether requesting stockholders were provided hard copies	Yes

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

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

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
The Board is committed to respect the rights of the shareholders and minority interests.	Voting right, as provided under the Manual on Corporate Governance
	Pre-emptive rights, as provided under the Manual on Corporate Governance
	Power of inspection, as provided under the Manual on Corporate Governance
	Right to information, as provided under the Manual on Corporate Governance
	Right to dividends, as provided under the Manual on Corporate Governance
	Appraisal right, as provided under the Manual on Corporate Governance
	Promotion of shareholder rights, as provided under the Manual on Corporate Governance

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

Yes. All nominations for the election of directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary on or before January 20, or such earlier date or later date that the Board of Directors may fix, as provided in the Corporation's By-laws. Nominees are screened by the Nomination and Hearing Committee who evaluates their qualifications and disqualifications. The Nomination and Hearing Committee identifies and recommends qualified individuals for nomination and election of directors of the Corporation.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Corporation has a Corporate Affairs Office which has a Media Affairs Group who handles communication with media and an Internal Communications who handles internal publications, corporate intranet, internal digital signage. It likewise has the Investor Relations unit under the Chief Finance Officer (CFO) which handles regular communications with institutional investors.

All information/disclosures for release are cleared and approved by the General Counsel, CFO and the President.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To effectively communicate the Corporation's performance, plans and strategies to the capital market, as well as, develop a long term relationship of trust with stakeholders, using the discipline in finance, communication and marketing and manage the content and flow of company information/disclosures to the financial markets.
(2) Principles	Provide a consistent and reliable information that would assist investors in their investment decision
(3) Modes of Communications	Company disclosures, One-on-one meetings, Email, Telephone calls
(4) Investors Relations Officer	Reyna-Beth de Guzman Contact no. +63 2 6323752 Email – rdeguzman@smg.sanmiguel.com.ph

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Any major plans or extraordinary transactions of the Corporation passes through a team that evaluates the viability of the transaction and ensures that it will have a strategic fit with the Corporation. This is eventually presented to the board for approval.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.
The Corporation gets the services of Investment Banks who provides advice on the fairness of transaction price.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

The Corporation's Corporate Social responsibility Projects are undertaken through the San Miguel Foundation, Inc. in cooperation with the Corporation's subsidiaries.

Initiative	Beneficiary
Education: 9,023 student assisted	
• Classroom construction	7,050 students started to study in their new classrooms
• Scholarship	91 students received a college/technical course scholarship
• Educational workshops	86 students participated
• Feeding	1,796 undernourished students received nutritious meals for 6 months
Enterprise: 172 individuals empowered	
• Kawang-gawa project	92 individuals received livelihood training
• Mati fishermen livelihood project	20 individuals received livelihood support
• De Carmen Crab Livelihood project	60 individuals received livelihood support
Environment: 8 areas rehabilitated	
• Reforestration	Borbon Environment Project Monte Maria Tree Planting Project Brgy. Sasa Mangrove Planting
• Buhisan Watershed Program	Plant nursery and training center Environmental partnership with San Carlos University
• Coastal/creek clean-up	Tipolo Creek Clean-Up Talamban Drainage Program Brgy. Sasa Coastal Clean-up
Community: 21,942 lives uplifted	
• Medical mission	12,610 patients received immediate assistance
• Socialized housing	3,395 homes were built for families displaced by typhoons in Valenzuela City, Cagayan de Oro City, Iligan and Negros Oriental
• Barangay strengthening	127 barangay officials received capacity building and solid waste management trainings
• Community clinic	5,810 patients received free quality health care services in Polo Brewery, San Fernando Brewery, Davao Brewery and Sumilao Community Clinic
Disaster: 75,880 survivors aided	
• Habagat	68,100 victims received relief assistance
• Typhoon Gener	2,550 victims received relief assistance
• Eastern Visayas Flashfloods	1,230 victims received assistance
• Typhoon Pable	4,000 victims received assistance

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Annual submission of self-rating form	a) Fulfillment of the Board's key responsibilities; b) Board-Management relationship; c) effectiveness of board processes and meetings, and d) individual performance of board members.
Board Committees	Annual submission of self-rating form for audit committee	a) Quality and integrity of the Corporation's financial statements and financial reporting process b) Effectiveness of the Corporation's internal control systems c) Independence and performance of its internal and external auditors d) Compliance by the Corporation with accounting standards, legal and regulatory requirements, including the Corporation's disclosure policies and procedures e) Evaluation of management's process to assess and manage the Corporation's enterprise risk issues
Individual Directors	Annual submission of self-rating form, on portion on individual performance of board members	a) Understanding of the mission, values and strategies of the Corporation and awareness of expectations from the individual as a Board member. b) Awareness of the Corporation's By-laws and governing principles and policies. c) Consciousness of conflict of interest positions and the duty to disclose any such conflict d) Attendance at Board and

		Committee meetings e) Attendance at meetings on time, prepared and knowledgeable about the issues to be discussed. f) Participation in the Board discussions with independence and objectivity. g) Expression of opinions on matters presented to the Board and support all Board decisions once they are made even in case of disagreement with the decision. h) Promotion of work and the mission of the Corporation in the community.
CEO/President	The Board of Directors of the Corporation, in exercise of its internal control functions, selects and appoints the Chief Executive Officer who possesses the ability, integrity and expertise essential for the position, and define, with the assistance of the Nomination and Hearing Committee, the duties and responsibilities of the Chief Executive Officer who is ultimately responsible for the Corporation's organization and operational controls. The Chairman and CEO, and the President and Chief Operating Officer are appraised in accordance with the Corporation's Performance Management System.	The basis for the assessment are the duties and responsibilities of the Chairman and CEO, and the President and Chief Operating Officer as well as key performance indicators in accordance with the Corporation's By-laws and Manual.

N. INTERNAL BREACHES AND SANCTIONS

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

Violations	Sanctions
Violation of any provision of the Manual on Corporate Governance	First violation: reprimand
	Second violation: suspension from office, the duration of which shall be dependent on the gravity of the violations. This penalty is not applicable to directors
	Third violation: removal from office. For directors, Section 28 of the Corporation Code and the By-laws of the Corporation shall be observed.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Mandaluyong, Metro Manila on May 10, 2013.

SIGNATURES

EDUARDO M. COJUANGCO, JR.
Chairman and Chief Executive Officer

RAMON S. ANG
President and Chief Operating Officer

REYNATO S. PUNO
Independent Director

WINSTON F. GARCIA
Independent Director

VIRGILIO S. JACINTO
Compliance Officer

SUBSCRIBED AND SWORN to before me this 10th day of May 2013, affiant(s) exhibiting to me their Passport Nos., as follows:

NAME	PASSPORT NO.	DATE/ PLACE OF ISSUE
Eduardo M. Cojuangco, Jr.	XX0410612	February 16, 2012; Manila
Ramon S, Ang	XX0748364	July 11, 2011; Manila
Reynato S. Puno	EB5206981	April 21, 2012; Manila
Winston F. Garcia	EB7161273	January 15, 2013; Manila
Virgilio S. Jacinto	EB0971552	Sept. 17, 2010; Manila

NOTARY PUBLIC

ALEXANDRIA GLORIA G. BENGSON
Notary Public for Pasig City
22nd Floor, JMT Corporate Condominium,
ADB Ave., Ortigas Center, Pasig City
APPT No. 207 (2013-2014)/Roll No. 43959
PTR No. 8431231; 1/8/2013; Pasig City
IBP No. 921081; 1/8/2013; Pasig City

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Page No. 106;
Book No. III;
Series of 2013.