



**THE PHILIPPINE STOCK EXCHANGE,
INC.**

Corporate Governance Disclosure

Of

LIBERTY FLOUR MILLS, INC.

	COMPLY	EXPLAIN
Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY		
.1 Have a clearly defined vision, mission and core values.	YES	Vision, Mission and Core Values of LFM is set forth in Articles 1 and 2 of its Manual of Corporate Governance ("Manual")
.1 Have a well developed business strategy.	YES	The business strategy is set forth in its Annual Report and Management Report
.1 Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture.	YES	The Manual clearly provides for the obligation of the Board to discuss strategic business issues.
1.4 Have its board continually engaged in discussions of strategic business issues.	YES	The Board discusses strategic business issues raised by the President
Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD		
2.1. Have a board composed of directors of proven competence and integrity.	YES	The Manual provides for the qualifications and disqualifications of the directors. The information statements sent to stockholders prior to the annual stockholders meeting contains background information (education and business) on each of the directors and officers.
2.2. Be lead by a chairman who shall ensure that the board functions in an effective and collegial manner.	YES	The Manual and By Laws provides for the functions of the Chairman.
2.3 Have at least three (3) of thirty percent (30%) of its directors as independent directors.	NO	LFM has two independent directors. Article The Manual provides that LFM shall have at least 2 independent directors or such number that constitutes 20% of the members of the Board
2.4 Have in place written manuals, guidelines and issuances that outline procedures and processes.	YES	LFM adheres to its Manual.

2.5	Have Audit, Risk, Governance and Nomination & Election Committees of the board.	YES	LFM has Audit Committee, Nomination Committee and Compensation Committee pursuant to Article 4 (K) of the Manual
2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.	NO	Only one person holds the position of Chairman and President. However, sufficient policies on check and balances are provided for in Article 4 (C).
2.7	Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.	YES	This is set forth in the Manual and reiterated in Definitive Information Statement sent to stockholders prior to the Annual Stockholders Meeting
2.8	Have in place a formal board and director development program.	NO	No definite development Program but all actions of the Board is in accordance with the Articles of Incorporation, By-Laws and Manual of LFM and consistent with the policies of Securities and Exchange Commission and Philippine Stock Exchange
2.9	Have a corporate secretary.	YES	LFM has a duly elected Corporate Secretary
2.10	Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.	YES	The functions of a director and the expected manner of his performance of duties as such are laid down in Article 4 of the Manual
Guideline No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM			
3.1	Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.	YES	LFM's Board has an Audit Committee.
3.2	Have a comprehensive enterprise-wide compliance program that is annually reviewed.	YES	Compliance program on Audit is executed and implemented through the Audit Committee
3.3	Institutionalize quality service programs for the internal audit function.	YES	Pursuant to the Manual
3.4	Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.	YES	

3.5	Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	YES	
Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS			
4.1	Have its board oversee the company's risk management function.	YES	The Board implements this policy in accordance with the Manual.
4.2	Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.	YES	The policy is set forth in the Manual.
4.3	Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II.	YES	
4.4	Have a unit at the management level, headed by a Risk Management Officer (RMO).	YES	The Risk Management Officer is the President and risks are addressed through monthly executive committee meetings
4.5	Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.	YES	Disclosure on risk attending the business operations of LFM is set forth in the Annual Report and Information Statement
4.6	Seek external technical support in risk management when such competence is not available internally.	YES	Prudence dictates that the Officers and Board shall take such action when such event occurs.
Guideline No. 5: ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION			
5.1	Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.	YES	
5.2	Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	YES	Currently, LFM's external auditor is SCV
5.3	Ensure that the external auditor has adequate quality control procedures.	YES	
5.4	Disclose relevant information on the external auditors.	YES	Information on external auditors are provided for in the Annual Report

5.5	Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	YES	
5.6	Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.	YES	The audit committee has access to meetings to external auditors
5.7	Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.	YES	The financial reports is approved by the Board and the same contains a Statement of Management Responsibility signed by Chairman, President and Treasurer
5.8	Have a policy of rotating the lead audit partner every five years.	YES	
Guideline No. 6: RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON-CONTROLLING GROUP			
6.1	Adopt the principle of "one share, one vote."	YES	Manner of Voting is stated in the Definitive Information Statement in accordance with the By Laws and Manual of LFM
6.2	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	YES	This is reiterated in Manual and set forth in the Information Statement
6.3	Have an effective, secure and efficient voting system.	YES	
6.4	Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	YES	The Corporation is compliant with the requirements of the Corporation Code on rights of majority and minority stockholders
6.5	Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.	YES	Notice requirements are sent in accordance with the By-Laws and rules of SEC and PSE
6.6	Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	YES	This is provided for in the By-Laws of LFM
6.7	Ensure that all relevant questions during the AGM are answered.	YES	The Chairman sees to it that any questions raised during the meeting are adequately answered.

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 Company Name: LIBERTY FLOUR MILLS, INC. ("LFM")

Date: April 1, 2013

6.8	Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	YES	
6.9	Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	YES	
6.10	Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	YES	
6.11	Have a communications strategy to promote effective communication with shareholders.	YES	
6.12	Have at least thirty percent (30%) public float to increase liquidity in the market.	YES	
6.13	Have a transparent dividend policy.	Yes	The Dividend Policy of LFM is pursuant to that stated in the By-Laws
Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME			
7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	YES	The Board, Officers ensures that all reportorial requirements of SEC and PSE are complied with.
7.2	Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	YES	The Corporate Secretary is required to disclose any material information to PSE
7.3	Disclose its director and executive compensation policy.	YES	This is disclosed in the Annual Report and Definitive Information Statement
7.4	Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.	YES	This is disclosed in the Annual Report
7.5	Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.	YES	Audited Financial Statements is attached to the Annual Report and Interim Reports are attached in Quarterly Reports submitted to SEC and PSE

7.6	Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.	YES	
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.	YES	
7.8	Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).	YES	LFM adheres to the Securities and Regulation Code.
7.9	Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	YES	Risks associated with dependency on related party transactions are disclosed in Annual Reports, Informations Statements
Guideline No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS			
8.1	Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment and other key stakeholder groups.	YES	
8.2	Have in place a workplace development program.	YES	
8.3	Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentives employees, at the same time aligns their interests with those of the shareholders.	YES	Has existing employee evaluation program that allow for merit based performance incentive mechanism
8.4	Have in place a community involvement program.	YES	
8.5	Have in place an environment-related program.	YES	
8.6	Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.	YES	

Guideline No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING		
9.1 Develop and disclose a policy governing the company's transactions with related parties.	YES	related party transactions are disclosed in the Financial Statement, Annual Report and Information Statements of LFM, copies of which are provided to stockholders
9.2 Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered de minimis or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	YES	RPTs are sufficiently disclosed in information statements, annual reports and in notes to audited financial statements
9.3 Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.	NO	LFM does not have such policy. Related Party transactions are approved by the Board in accordance with the Corporation Code, By laws and Manual of LFM.
9.4 Have its independent directors or audit committee play an important role in reviewing significant RPTs.	YES	
9.5 Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.	YES	
9.6 Have a clear policy in dealing with material non-public information by company insiders.	YES	
9.7 Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.	YES	Any information that are considered material information are required to be disclosed in accordance with the Securities Regulation Code and Disclosure Requirements of PSE
Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, & ENFORCEMENT		
10.1 Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.	YES	This is provided for in the Manual.

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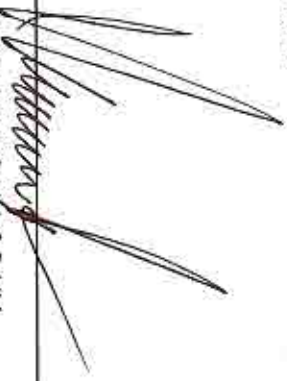
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10.2	Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	YES	Whenever a new law or regulation specifically covers the operations or business of LFM such practices shall be adopted.
10.3	Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.	YES	
10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	YES	
10.5	Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.	YES	
10.6	Respect intellectual property rights.	YES	
10.7	Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.	YES	

This is to certify that the undersigned reviewed the contents of this document and to the best of my knowledge and belief, the information contained set forth in this document is true, complete and correct.

Done this April 01, 2013 in Makati City


 JOSE A. FERIA, JR.
 Independent director


 WILLIAM CARLOS UY
 Chairman and President



