



Liberty Flour Mills, Inc.

08 June 2020

RACHEL ESTHER J. GUMTANG-REMALANTE

Director, Corporate Governance and Finance Department
Securities and Exchange Commission
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City



Dear Director Gumtang-Remalante,

In compliance with SEC Memorandum Circular No. 24 Series of 2019, we are submitting our revised Code of Corporate Governance, which was approved by the Board of Directors on April 29, 2020.

Very truly yours,


JOSE S. JALANDONI
Compliance Officer

CODE OF CORPORATE GOVERNANCE

Liberty Flour Mills, Inc.



CODE OF

CORPORATE

GOVERNANCE

2020

CODE OF CORPORATE GOVERNANCE

Liberty Flour Mills, Inc.

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CORPORATE GOVERNANCE POLICY AND FRAMEWORK

POLICY

Liberty Flour Mills, Inc (hereafter, “LFM”, “Company”, “We”, “Our”, or “Us”), institutionally commits to prioritize and embrace responsible corporate governance as a key component of its culture. This stems from the recognition that responsible management coupled with integrity are key components of delivering value to stockholders, employees, and stakeholders.

Sound corporate governance also furthers Our Philosophy of “*People Come First*”. Corporate governance, when done right, ensures that various interested parties can participate and share in value creation, opportunities, and activities of LFM. Furthermore, it aids LFM in reconciling the goal of profit-making of businesses and at the same time conduct business in a manner that is sustainable and socially value adding.

FRAMEWORK

Throughout Our history, We have endeavored to instill practices that would ensure that We harmonize and incorporate regulatory requirements and corporate best practices, with the eventual goal of pursuing Our goals in a profitable, ethical, and sustainable manner. The implementation of this Code of Corporate Governance (the “*Code*”), as well as Our Articles of Incorporation (the “*Articles*”), By-Laws (the “*By-laws*”) with the Material Related Party Transaction Policy (hereafter the “*MRPTP*”), and the various charters of the Board and its committees, seek to embody and devote Us to the aforementioned goals.

Copies of this Code, as well as the Articles of Incorporation, By-Laws, MRPTP may be found on Our website. Additionally, in compliance with the Code of Corporate Governance for Public Companies, this Code adopts the principles, incorporates the recommendations (if applicable) as determined by the Securities and Exchange Commission (the “*SEC*”).

MISSION

Liberty Flour Mills is committed to manufacture the highest quality of flour products and by-products and to pursue excellence in providing services to Our customers. Through effective communication, responsive services, empowered employees, passion for technology, and total quality management, We will meet the aspirations of the customers to improve productivity in the national markets and stakeholder values.

VISION

Liberty Flour Mills aspires to be the major flour manufacturer in the country by striving vigorously to delight Our customers, and by pursuing excellence and innovation through committed teamwork.

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BOARD OF DIRECTORS

Composition

The Board is Composed of eleven (11) members, two (2) of which are independent directors, who are elected individually by Our stockholders during the annual stockholders meeting. There are also Non-Executive Directors (hereafter “NED”) that serve on Our Board. These NED’s are directors who do not participate in the active and day to day management of LFM. In the selection of the NEDs We ensure that they have the necessary competence which allows them to give constructive input, and new and alternative perspectives to matters brought before the Board.

We ensure that the Board is composed of qualified members that possess collective and complementary knowledge, expertise and experience that enable the Board to fulfill its roles and responsibilities as well as respond to the needs of the LFM. Another tenant in constructing the board is diversity. In determining board composition the company strives to have directors of various backgrounds to enable holistic discussions and perspectives to matters brought to the attention of the Board. Furthermore, in determining whether an incumbent director may be a nominee for the succeeding year, their past performance shall be taken into account.

Term

A Director shall hold office for a period one (1) year, and until their successors are elected and qualified in accordance with the By-laws. However, a Director may be removed from office before the end of his/her term for any of the causes provided for under this code.

Qualifications

A Director shall have the following qualifications:

1. Ownership of at least one share of capital stock of the Corporation at the time of his election;
2. College or equivalent academic degree or a comprehensive knowledge and understanding of the fundamentals of conducting and running a business, or has been engaged in the management and supervision of a business;
3. Practical understanding of the business of LFM;
4. Membership in good standing in the relevant industry, business, or professional organization;
5. Previous business experience; and
6. A reputation for integrity, sedulousness, probity, and honesty.

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Nomination and Election of Board of Directors

The directors will be elected annually by the stockholders entitled to vote and will serve until the election and qualification of their successors. In considering the nominees for the position of Director, the Nominations Committee and the Board will consider the matters stated in the “*Board Diversity*” and “*Qualifications*” portion of this Code.

Furthermore, shareholders can nominate a candidate to the Board, and such procedure is stated in the notice of the Annual Meetings sent to such shareholders.

Finally, the Nomination Committee reviews and evaluates the qualifications of all persons nominated to the position of Director and passes its recommendation to the Board. At the very least the following are the guiding principles in the review and evaluation of the qualifications of the nominees:

1. Whether the nominee possess the knowledge, skills, expertise, experience and independence of mind to perform their responsibilities as a member of the Board of Directors;
2. Whether the nominee possess a record and reputation for integrity and good repute;
3. Whether the nominee will have enough time to carry out their responsibilities; and
4. Whether they possess all the qualifications or any of the disqualifications to be a member of the Board.

Board Diversity

LFM is committed to composing a Board of Directors that are diverse as to gender, age, ethnicity, culture, skills, competence and knowledge. The purpose of such commitment is to remove groupthink and provide for a counterbalance against ingrained biases to ensure that optimal decision making is achieved.

To achieve its diversity aspirations the Board and the Nominations Committee shall consider the following:

1. That there is representation of all genders in the Board of Directors as well as the committees, if practicable;
2. That the Board should be composed of persons of different ages;
3. The Board should be composed of directors with various educational backgrounds;
4. The nominees and directors should all be from various expertise and backgrounds, but such backgrounds should be of a nature that the director can provide valuable input or relevant alternative perspectives;

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5. Ensure that that board is composed of persons who possess the proper balance of skills, expertise, and knowledge, that align with the strategic goals of LFM;
6. At all times the prime consideration for appointment should be merit, probity, sedulousness, integrity, and honesty. Appointment should not be based on affinity, relationship, or not merely for the sake of having a diverse board.

Duties and Norms of Conduct of the Board of Directors

It is the duty of the Board to foster and to lay the foundation for the long-term success of LFM, as well as run the Company profitably in a manner consistent with the corporate objectives, and best interest of Stockholders and Stakeholders.

Duties and Norms of Conduct of the Board as a Body

Accordingly, the Board is given the following specific duties and norms of conduct:

1. The Board should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of LFM and all its shareholders and stakeholders;
2. The board should act in the interest of the company, and not for a controlling group or any other stockholder or stakeholder;
3. The Board should oversee the development and approve the company's business and strategy and monitor its implementation. In furtherance of this duty the Board should establish a strategy execution process that would facilitate and aid management in reaching company goals, taking into consideration company culture and the current business environment;
4. The Board is responsible for ensuring and adopting an effective succession planning program for directors, key officers, and management, in order to ensure the continuous and consistent growth of the company;
5. The Board is responsible for aligning the remuneration of key officers and board members with the long-term interest of LFM, always keeping in mind that remuneration should have a relationship with performance;
6. The Board is responsible for the appointment of a competent management team and assessing their performance as well as that of Management;
7. Establish an effective performance evaluation framework, stating the standards for assessment, to ensure that the performance of Management is at par with those set by the Board;

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8. To ensure that the appropriate internal control systems are in place, including a mechanism for monitoring and managing potential/ actual conflicts of interest of board members, management, and shareholders;
9. To oversee that there is an enterprise risk management framework to effectively identify, monitor, assess and manage key business risks; and
10. Establish an effective performance management framework that would ensure that the performance of management and personnel are at par with the standards that are set by the Board and Senior Management;

Duties and Norms of Conduct of a Director

Accordingly, a Director is given the following specific duties and norms of conduct:

1. A Director should act in the best interest of the Company in a manner characterized by transparency, accountability, and fairness;
2. A Director should exercise leadership, prudence, and integrity in directing the Company towards sustained progress;
3. No Director shall participate in the discussion of his/her per diem or compensation;
4. A Director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests, and a director is required to follow the procedures set forth in the MRPTP. Situations that may compromise a Director's impartiality should always be avoided;
5. A Director should devote enough time to familiarize himself with the Company's business. He/she should be constantly aware of and knowledgeable with the Company's operations to enable him/her to meaningfully contribute to the Board's work;
6. A Director should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanations;
7. Before deciding on any matter brought before the Board, a director should carefully evaluate the issues, and if necessary, make inquiries and request clarification;
8. A Director should view each problem or situation objectively. If a disagreement with other Directors arises, he/she should carefully evaluate and explain his/her position. Corollary, he/she should support plans and ideas that he/she thinks are beneficial to the Company;

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9. A Director should also keep abreast with industry developments and business trends in order to promote the Company's competitiveness;
10. A Director should keep secure and confidential all non-public material information he/she may acquire or learn by reason of his/her position as director. He/she should not reveal confidential information to unauthorized persons without the written authorization of the Board; and
11. If a Director has a material interest in the transaction brought for the evaluation and approval of the Board, such director shall abstain from taking part in the deliberations and approval of such transaction.

Deliverables of the Board of Directors

The Board of Directors shall operate under the following assumptions and have the corresponding target deliverables:

1. Make it a matter of company practice and policy to produce and sell products at reasonable costs while always maintaining or improving the quality of the products;
2. *Set the Standards of Performance.* The Directors should always serve as an example when it comes to performance and ability;
3. Exercise the powers of the Board as stated in the by-laws and the Code, or as otherwise may be provided by law or regulation;
4. Execute the resolutions and approve the minutes of the board meetings;
5. Periodically review the corporate strategy, major plans of action, risk management policies and procedures, annual budgets, progress of business plans;
6. Monitor the implementation and corporate performance including but not limited to the overseeing of major capital expenditures, acquisitions and divestures;
7. Assess the performance of Senior Management and the heads of the other control functions. In furtherance such assessment, the Board shall adopt and pass standards and criteria that will be used to guide the Board and other relevant parties.

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Onboarding and Training of Directors

Onboarding of Directors

LFM has an onboarding program for first-time directors. This program ensures that a new director is acquainted with LFM's heritage; its mission, vision, and values; goals and aspirations; and the core competencies of the Company.

A new director will also be appraised of his duties and responsibilities, as well as an introduction and discussion of the Commission's mandated topics on corporate governance, an overview and discussion of LFM's charter documents, Code of Corporate Governance, and its code of Business Conduct and Ethics. Furthermore, at this onboarding program, the new director will be introduced to the key management and staff of LFM. The new director may also ask any all questions or clarify matters that he deems necessary, and in furtherance of such, request for documents to complete and complement his understanding of LFM's business operations.

Training of Directors

There will be an annual and continuing training for all directors of the company. This is aimed at ensuring that throughout a Director's tenure they are well appraised of any and all developments that relate to LFM or matters that they would need to know in their capacity as Directors, or members of a particular committee.

Such orientation may be done by LFM, or a third-party provider. In all cases, such trainings shall pertain to developments of the business, regulatory environments, and emerging risks that the company faces – including trainings on audit, internal controls, risk detection and management, sustainability, and strategy.

Appraisal, Assessment, and Evaluation of Board Members

The Board has an internal self-rating/ self-assessment and cross-rating/ cross-assessment system, that may be used to measure the performance of the Board and Management. In this system a particular director will rate himself based on a mix of subjective and objective performance metrics such as the contributions made to board and committee discussions during the fiscal year; relevancy of suggestions or proposed measures to the company goals; feasibility of suggestions or proposed measures; understanding and grasp of the overall condition of the company; attendance record for regular and special board meetings; and other performance metrics as may be determined or deemed relevant. These same metrics are also used for the cross-rating/ cross-assessment system. Under the cross-rating method, a Director may be made to assess/rate two (2) and up to five (5) other Board members based on the same metrics used in the self-rating system.

Every three (3) years, or as the Board may determine, the assessments and evaluations previously made shall be studied by an external facilitator, and on the basis of such previous assessments, the external facilitator shall facilitate the self-rating/ self-assessment and cross-rating/ cross-assessment system that will be conducted. This shall also include a discussion lead by the external facilitator on

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matters that he/she shall deem important and appropriate, given the trends or important issues that arose from previous self-rating/ self-assessments and cross-rating/ cross-assessments.

In addition, the Board evaluates and considers the incumbent members as successors, particularly those who have shown their constant presence, unyielding commitment, and readiness to take on more responsibilities in LFM. The Board considers the over-all performance of the incumbents throughout their years of service and level of readiness to engage a higher role.

Disqualifications and Causes for Removal

The following may be considered as grounds for the permanent disqualification of a director:

1. 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;
2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC, Bangko Sentral ng Pilipinas (BSP) or any administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company or as an affiliated person of any of them; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification should also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Revised Corporation Code of the Philippines, Securities Regulation Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP; (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is 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;

3. Any person convicted by final judgment or order by a court, or competent administrative of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

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4. Any person who has been adjudged by final judgment or order of the SEC, BSP, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law, rule, regulation or order administered by the SEC or BSP;
5. Any person judicially declared as insolvent;
6. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority for acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above;
7. Conviction by final judgment of an offense punishable by imprisonment for more than six years, or a violation of the Revised Corporation Code of the Philippines and Securities Regulation Code committed within five years prior to the date of his election or appointment; and
8. Other grounds as the SEC may provide pursuant to the provisions of the Revised Corporation Code of the Philippines, Securities Regulation Code and other related laws.

The following may be grounds for the temporary disqualification of a director:

1. Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;
2. Dismissal, termination or removal for cause as director of any publicly listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal, termination or removal;
3. If the beneficial equity ownership of an independent director (ID) in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an ID is lifted if the limit is later complied with; and
4. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Leadership and Assistance

Chairperson of the Board

The Board of LFM will, always, be headed by a competent and qualified Chairperson. Such Chairperson shall preside over all meetings of the Board and Stockholders, as well as perform and exercise the

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powers granted to him by the By-laws, the Code, and other responsibilities that may be imposed on him/her.

If the Chairperson is unable to attend a meeting, the directors present shall appoint an acting Chairperson to preside over the same.

The Chairperson shall have the following duties and responsibilities:

1. Makes certain that the meeting agenda focuses on strategic matters taking into consideration developments in the business and regulatory environment, key governance concerns, and contentious issues that will significantly affect operations;
2. Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
3. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
4. Ensures that the Board sufficiently challenges and inquires on reports submitted and presentations and representations made by Management;
5. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors;
6. Makes sure that performance of the board is evaluated at least once a year and discussed and/or followed up on;
7. Conducts a self-assessment of his performance and shares his self-assessment with the other Directors, for their comments, opinions, or suggestions.

Corporate Secretary

The Board ensures that it is assisted by a Corporate Secretary, preferably not a Director nor the Compliance Officer, who is primarily responsible to the corporation and its shareholders, and not to the President, Chairperson, or Board.

The Corporate Secretary shall have the following duties and responsibilities:

1. Assist the Board and the Board Committees in the conduct of their meetings, including preparing an annual schedule of the Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
2. Safekeeps and preserve the integrity of the minutes of the meetings of the board and its committees, as well as other official records of the Company;

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3. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advise the Board and the Chairperson on all relevant issues as they arise;
4. Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and the Management, the Board and its committees, and the Board, shareholders and its stakeholders;
5. Advise on the establishment of Board committees and their terms of reference;
6. Inform the Board, in accordance with the by-laws of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require approval;
7. Attend all Board meetings, except when justifiable cause, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
8. Perform required administrative functions;
9. Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and
10. Perform such other duties and responsibilities as may be provided by Board and the Commission.

The Corporate Secretary may be assisted by an Assistant Corporate Secretary.

Compliance Officer

The Compliance officer holds the same rank as Senior Vice-President, preferably not a member of the Board. Furthermore, the Compliance Officer is primarily responsible to the corporation and its shareholders, and not to the President, Chairperson, or Board.

The Compliance officer shall have the following duties and responsibilities:

1. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
2. Monitors, reviews, evaluates and ensures the compliance by the corporation, its officers directors with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
3. Reports to the Board if violations are found and recommends the imposition of appropriate disciplinary action;

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4. Ensures the integrity and accuracy of all documentary and electronic submissions as may be allowed under SEC rules and regulations;
5. Appears before the SEC when summoned in relation to compliance with this Code and other relevant rules and regulations;
6. Collaborates with other departments within the company to properly address compliance issues, which may be subject to investigation;
7. Identifies possible areas of compliance issues and works towards the resolution of the same;
8. Ensures the attendance of board members and key officers to relevant trainings; and
9. Performs such other duties and responsibilities as may be provided by the Board and SEC.

Board Independence

Non-Executive Directors

To create and foster a system of checks and balances, the Company will seek to establish a Board that is composed by a majority of Non-Executive Directors who possess the necessary qualification to effectively participate and help secure objective and independent judgement on corporate affairs. However, if a majority of the directors are executives of the Company, there will be appropriate checks and balances in place. Furthermore, as board members, executives elected are expected to provide their objective and unbiased perspectives, and to decide on matters without prejudice of favor.

The non-executive directors shall, if in their discretion necessary, have separate periodic meetings with the external auditor, heads of the internal audit, compliance officer, risk and oversight committee, without any executive director present to ensure that the proper checks and balances are in place within the corporation. Such meeting shall be chaired by the Lead Independent Director.

Independent Directors

To exercise objective and independent judgement on all corporate affairs, the Board of LFM shall have at least two (2) independent directors.

An independent director is a person who is independent of Management and the controlling shareholder/s, and is free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his/her responsibilities as a director.

To qualify as an independent director the following must be met:

1. Is not a director of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;

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2. Is not, and has not been in the two (2) years immediately preceding the election, a director of LFM; a director, officer, employee of LFM's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the LFM's substantial shareholders and its companies;
3. Has not been appointed in LFM, its subsidiaries, associates, affiliates or related companies as Chairperson "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
4. Does not own more than two percent (2%) of the shares of the covered company and/or related companies or any of its substantial shareholders;
5. Is not a relative of a director, officer, or substantial shareholder of the company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and he spouse of such child, brother, or sister;
6. Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
7. Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal shareholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
8. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the two (2) years immediately preceding the date of his election;
9. Does not engage or has not engaged, whether by himself or with other persons or through a firm which he is a partner, director, substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
10. Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and

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11. Is not employed as an executive officer of another company where any of LFM's executives serves as directors.

For the purposes of the above, related companies shall refer to: (a) LFM's holding/ parent company, if any; (b) its subsidiaries; and (c) subsidiaries of the holding/ parent company.

Term Limits for Independent Directors

An independent director can serve for a maximum cumulative term of nine (9) years. After which, such independent director shall be barred from re-election as such. This is without prejudice to the appointment of the Independent Director as a non-independent director. However, if LFM wants to retain the services of an independent director the Board should provide meritorious justification/s and seek the approval of the shareholder's during the annual meeting.

Lead Independent Director

If the Chairperson of the Board is not independent, or the position of Chairperson and President are held by the same person, the Board shall designate a Lead Independent Director whose functions shall be as follows:

1. Serve as an intermediary between the Chairperson and other directors, when necessary;
2. Convenes and chairs meetings of the Non-Executive Directors; and
3. Contributes to the performance evaluation of the Chairperson, as required.

Board Meetings and Attendance

As provided in the By-laws, board meetings are scheduled every last Wednesday of the month, with a quorum constituted by the presence of a simple majority of the board. The presence of a quorum is sufficient to conduct regular business of the Corporation. The Directors are also given all the necessary information and materials for the meeting at least (3) days before the scheduled date of the meeting, without prejudice to a Director's unimpeded access to Management and other Corporate Officers.

Directorship in Other Companies

LFM does not impose limitations on the number of board seats that a Director may simultaneously hold. This comes with the understanding and expectation that each Director must religiously and efficiently perform their respective duties and responsibilities as members of LFM's board.

Moreover, every director is expected to observe certain norms of conduct to ensure that their personal interest does not conflict with the interests of the Company. Furthermore, each director has a duty to devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

BOARD COMMITTEES

Rationale for Establishing Committees

Board committees are set up by LFM to support, enhance and complement the functions of the Board. LFM has set up different board committees, constituted solely by Directors, concerning areas that are crucial and critical to its operations and management. This comes with the hope that discussions in committees are more comprehensive, in-depth, and detailed in relation to a particular topic.

Executive Committee

Rationale for Creation

The rationale for the creation of the Executive Committee was to vest in a committee the power to perform on behalf of the board the matters that concern the day to day, or minor aspects of LFM's business.

Composition and Qualifications

The Executive Committee shall be composed of not less than three (3) but not more than five (5) members, provided that the Chairperson should always be a member of the Executive Committee. The Board may appoint additional members who may or may not be Directors.

Each member of the Executive Committee should have knowledge of the fundamentals of LFM's operations.

Duties and Responsibilities

The Executive Committee shall have the following duties and responsibilities:

The Executive Committee shall act on specific matters which are within its competence and have been delegated to it by the Board during the intervals between Board meetings. All the powers and functions vested in the Board, may be delegated to it by the Board, except with respect to: (a) approval of any action for which the shareholders' approval is also required; (b) filing of vacancies in the Board; (c) amendment or repeal of any amendment of any resolution of the Board which by its express terms is not so amendable or repealable.

Audit Committee

Rationale for Creation

The Audit Committee is instituted and responsible for the purpose of Senior Management Oversight. Its establishment ensures that there are systems and processes implemented that provide assurance in reporting; compliance with laws, regulations, accounting standards, and internal controls; effective and efficient operations; safeguarding of LFM's assets; and the proper management of its liabilities.

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These aid LFM's efforts to maintain adequate, effective, and efficient internal control systems and frameworks.

Composition and Qualifications

The Audit Committee shall be composed of three (3) directors. As far as practicable; all members of the Audit Committee should be Non-Executive Directors, a majority of whom should be Independent Directors; and the Chairperson of this committee is preferably not the Chairperson of the Board or of another Committee.

All the members of the Audit Committee should possess a background, knowledge, skills, or experience in the areas of accounting, auditing, or finance.

Duties and Responsibilities

The Audit Committee shall have the following Duties and Responsibilities:

1. Recommends the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;
2. Through the IA Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to: (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
3. Oversees the IA Department, and recommends the appointment and removal of an IA head as well as his qualifications, and grounds for appointment and removal. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable;
4. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
5. Monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;
6. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope, and expenses of the audit, and ensures the proper coordination if more one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;

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7. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the corporation's overall consultancy expenses. The Audit Committee has the power to disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence. Such non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
8. Reviews and approves the Interim and Annual financial statements before the submission to the Board with focus on the following matters:
 - a. any change(s) in accounting policies and practices;
 - b. areas where a significant amount of judgment has been exercised;
 - c. significant adjustments resulting from audit;
 - d. going concern assumptions;
 - e. compliance with accounting standards; and
 - f. compliance with tax, legal and regulatory requirements;
9. Reviews the disposition of the recommendations in the external auditor's management letter;
10. Performs oversight functions over the company's internal and external auditors. It ensures the independence of the internal and external auditors, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;
11. Coordinates, monitors, and facilitates compliance with laws, rules and regulations;
12. Recommends to the Board the appointment, re-appointment, removal and fees of the external auditor, duly accredited by the SEC, who undertakes an independent audit of the company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders;
13. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs monitored, the Related Party Registry is updated to capture subsequent changes relationships with counterparties (from non-related to related and vice versa); and
14. Meets internally and with the Board at least once every quarter without the presence of the CEO or other Management team members, and periodically meets with the head of the IA.

Audit Committee's Oversight of the External Auditor

The Audit Committee shall have the following responsibilities and duties relative to the external auditor:

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1. Assess the integrity and independence of the external auditor;
2. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;
3. Exercise, effective oversight to review and monitor the effectiveness of the audit process;
4. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
5. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
6. Review the reports submitted by the internal and external auditors; and
7. Review the quarterly, half-year and annual financial statements before their submission to the Board, with focus on the following matters:
 - a. Any change/s in accounting policies and practices;
 - b. Major judgmental areas;
 - c. Significant adjustments resulting from the audit;
 - d. Going concern assumptions;
 - e. Compliance with accounting standards; and
 - f. Compliance with tax, legal and regulatory requirements.

Audit Committee's Related Party Transaction Function

The Audit Committee shall be the body that evaluates and studies: (i) whether a Related Party Transaction (hereafter "*RPT*") is on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions under similar circumstances; and (ii) that no corporate or business resources of the company are misappropriated or misapplied.

In furtherance of this the Audit Committee shall have the following functions:

1. Determines any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Committee considers, among others, the following:
 - a. The related party's relationship to the company and interest in the transaction;
 - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - c. The benefits to the corporation of the proposed RPT;
 - d. The availability of other sources of comparable products or services; and

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- e. An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
2. Ensures that appropriate disclosures made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
3. Reports to the Board of Directors on a regular basis, the status, and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
4. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
5. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

The Internal Auditor

LFM shall have an Internal Auditor that will have the following functions:

1. Provides an independent risk based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of governance and control processes in (i) promoting the right values and ethics; (ii) ensuring effective performance management and accounting in the organization; (iii) communicating risk and control information; (iv) coordinating the activities and information among the Board, external and internal auditors, and Management;
2. Performs regular and special audit as contained in the audit plan;
3. Performs consulting and advisory services related to governance and control as appropriate for the organization;
4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations, and other commitments, which could have a significant impact on the organization;
5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;

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6. Evaluates specific operations at the request of the Board or Management, as appropriate; and
7. Monitors and evaluates governance processes.

Chief Auditor

LFM shall have a Chief Auditor that will have the following duties and responsibilities:

1. Periodically reviews the internal audit plan and presents it to senior management and Audit Committee for approval;
2. Establishes a risk-based internal audit plan, including policies and procedures to determine the priorities of the internal audit activity, consistent with the organization's goals;
3. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations as well as significant interim changes to senior management and the Audit Committee for review and approval;
4. Spearheads the performance of the internal audit activities' performance relative to its plan; and
5. Reports periodically to the Audit Committee and gives advice to the senior management and the Board on how to improve internal processes.

Nominations Committee

Rationale for Creation

The Nominations Committee reviews and evaluates the qualifications of all persons nominated to the Board as well as other appointments that require Board approval. In addition, it will assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

Composition and Qualifications

The Committee shall be composed of three (3) directors. As far as practicable; majority of the members should be Independent Directors; and the Chairperson of this committee is preferably not the Chairperson of the Board or of another Committee.

All members of the Committee should possess integrity, probity, and impartiality as well basic knowledge of good governance practices, and a comprehensive knowledge of this Manual and other related manuals or policies of LFM.

Duties and Responsibilities

The Nominations Committee shall have the following Duties and Responsibilities:

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1. Determines the nomination and election process for the company's directors;
2. Defines the general profile of board members that the company may need;
3. Ensures that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election;
4. Evaluate and recommend to the Board of Directors candidates for senior management and key personnel positions; and
5. Ensure that the candidates for senior management and key personnel possess the necessary qualifications and criteria to enable them to perform their functions.

Nomination Committee's Corporate Governance Function

The Nomination Committee will assist the Board in the performance of its corporate governance responsibilities. The performance of these functions creates the necessary internal protocols to ensure that business is being conducted in accordance with the Manual, as well as corporate best practices.

In furtherance of this function, the Nomination Committee shall have the following duties and responsibilities:

1. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate considering material changes to the corporation's size, complexity of operations and business strategy, as well as its business and regulatory environments;
2. Oversees the periodic performance evaluation of the Board and its committees as well as the executive management, and conducts an annual evaluation of the said performance;
3. Ensures that the results of the Board evaluation are discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
4. Recommends the continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
5. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
6. Proposes and plans relevant trainings for the members of the Board; and

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7. Establishes a formal and transparent procedure for determining the remuneration of directors and officers that is consistent with the corporation's culture.

Remuneration Committee

Rationale for Creation

The Remuneration Committee is established for the purpose of ensuring that there are formal and transparent procedures for the determination of remuneration of Management, as well as the Directors. They are further tasked with ensuring that Management and Director compensation is aligned with the short-term and long-term interests of Company.

Composition and Qualifications

The Remuneration Committee shall be composed of three (3) directors, a majority of whom should be Independent Directors; and the Chairperson of this committee is preferably not the Chairperson of the Board or of another Committee.

All the members of the Remuneration Committee should possess impartiality, honesty, probity, and integrity.

Duties and Responsibilities

The Remuneration Committee shall have the following Duties and Responsibilities:

1. Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates; and
2. Make the relevant disclosures pertaining to executive compensation.

Remuneration Philosophy

In determining the remuneration of the Board of Directors and Management, the Remuneration Committee and the Board must be guided by the following principles:

1. Level of remuneration should be commensurate to the given responsibilities;
2. Remuneration payout schedules should be sensitive to the risk outcome;
3. Remuneration must be aligned with the goals and interests of the company, shareholders, and stakeholders;
4. Remuneration must always have a direct correlation with performance, considering the business and economic environment of the given year; and

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5. Remuneration given must be competitive with what is being offered by the market to ensure that LFM will be an attractive employer.

The Remuneration Committee should ensure that the total remuneration (fees, allowances, benefits-in-kind, and other emoluments) of the Board and Senior Management are disclosed and approved during the annual stockholder's meeting.

Risk Oversight Committee

Rationale for Creation

Enterprise Risk Management is primarily responsible for tracking, collating, and analyzing the various risks that LFM faces. It is this understanding and grasp of potential risks that places management in a position to make well informed decisions based on juxtaposing the current risk environment, current business activities, and future plans and opportunities.

Composition and Qualifications

The Committee shall be composed of three (3) directors. As far as practicable; majority of the members should be Independent Directors; and the Chairperson of this committee is preferably not the Chairperson of the Board or of another Committee.

All members of the Committee should possess the relevant and thorough knowledge and experience of risk and risk management. It is preferred that the Committee is composed of various Directors that can understand and analyze risk from various perspective and fields.

Duties and Responsibilities

The Risk Oversight Committee shall have the following Duties and Responsibilities:

1. Develop a formal Enterprise Risk Management (hereafter “ERM”) plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals and objectives, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
2. Oversees the implementation of the ERM plan through a Management Risk Oversight Committee. The BROOC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
3. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROOC revisits defined risk management strategies, looks for emerging or changing material exposures, and keeps abreast of significant developments that seriously impact the likelihood of harm or loss;

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4. Advises the Board on its risk appetite levels and risk tolerance limits;
5. Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the company;
6. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
7. Oversees the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
8. Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

DISCLOSURE AND TRANSPARENCY

LFM believes that transparency coupled with timely and comprehensive disclosures leads to better corporate governance by creating significant barriers for the Directors, Management, or dominant stockholders to mismanage the Company. All disclosures required by law, regulation, or best practices will be made in a timely manner and within the time prescribed by law. With the further obligation that the standard of transparency of such disclosures will be in accordance with generally accepted best practices and regulatory expectations.

As a matter of policy, all material information about the Company which could adversely affect its viability, or the interest of the stockholders will be publicly and timely disclosed through the PSE and SEC submissions. Such information should include among others, earning results, acquisition or disposition of assets, related party transactions, direct and indirect remuneration of members of the Board and Management, and information that would otherwise affect the decision of an investor to purchase or sell shares of LFM.

To fulfill its obligation of transparency, LFM makes structured and unstructured disclosures through the PSE Edge and the required filings with the SEC. Such disclosures may be accessed through PSE Edge or the Company Website.

LFM also releases its Annual Report which disclose the following: key risks, corporate objectives, financial performance indicators, non-financial performance indicators, dividend policy, whistle-

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blowing policy, biographical details (containing the age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners, training and/or continuing education program attended by each director/commissioner, number of board of directors/commissioners meetings held during the year, attendance details of each director/commissioner in respect of meetings held, and details of remuneration of the CEO and each member of the board of directors/commissioners.

LFM also discloses relevant and material information including but not limited to: (i) information on individual board members and key executives including their respective experience and qualifications; (ii) policies and procedures for setting Board and executive remuneration; (iii) related party transactions; (iv) material fact or event on the significant acquisition or disposal of assets which could adversely affect the viability or the interest of its stakeholders.

Aside from the PSE Edge, information about the company is made available through the website. Also, contact information of the Company and of certain key officials are made publicly available to serve as communication channels for the stockholders and the general public.

INTERNAL CONTROLS AND RISK MANAGEMENT FRAMEWORK

Risk Management System/ Framework

LFM believes that a strong risk culture goes hand in hand with ensuring the sustained success of its business operations. To foster a strong risk culture, it is the responsibility of the directors and management to cultivate, implement, and cascade it down to stockholders and stakeholders. LFM also recognizes that a risk culture will not be of substance if stakeholder and shareholder involvement is absent. It is when stakeholders and shareholders participate in risk culture where the company can attain a more comprehensive view of its risks its faces.

In setting the tone for an effective risk culture, management and employees are taught to identify, measure, analyze, monitor, and control risks that may affect the company through risk management systems implemented. The policies of the Risk Oversight Committee are also brought before the Board for the review and approval. Furthermore, to ascertain and ensure that these measures are effective and current, the Risk Oversight Committee periodically reviews the effectiveness of the risk management system.

The Company's risk management policy sets out and assesses the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

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Credit Risk

Exposure

Credit Risk Represents the loss that LFM will incur if the counterparty to a contract fails to perform its contractual obligations.

Risk Management Policy

The goal of management is to manage the amount of credit risk to ensure that it remains at an acceptable level. LFM has established controls and procedures in its credit policy to determine and monitor the credit worthiness of customers and counter parties, which include weekly check over collections on a benchmark. LFM is operating under a sound credit-granting process over its distributors.

Risk Assessment, Monitoring, and Measurement

Given the business model of LFM, most of its trade receivables are concentrated with its three distributors, which account for 99% of such receivables. To ensure that there is timely payment of the receivables, LFM is in constant coordination with these distributors to ensure that their accounts are current, and the payables to the company are manageable.

Commodities Risk

Exposure

Commodities risks represents the risk that LFM faces due to the fluctuating prices of the required raw materials used in the company's production.

Risk Management Policy

The goal of management is to ensure that there are measures in place to combat the fluctuating prices of the raw materials. These could be offsetting increase in the cost of imported raw materials, with the foreign exchange activities of the company; anticipating increases in the price of raw materials and making the corresponding adjustments in inventory; studying the historical trend of natural disasters and their effects on various parts of the supply; and others.

Risk Assessment, Monitoring, and Measurement

To combat Commodities Risk there is a constant study and balance between the current inventory levels and the anticipated production requirements, taking into consideration the various risk factors that may affect production.

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Equity Price Risk

Exposure

Equity Price Risk is the risk that the value of a financial instrument will fluctuate because of drastic changes in the market.

Risk Management Policy

LFM's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

Risk Assessment, Monitoring, and Measurement

The group is exposed to equity price risk because of investments in equity securities, which are classified in the consolidated balance sheets as financial assets at FVPL and AFS investments.

The group's policy is to maintain the risk at an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

Interest Rate Risk

Exposure

Interest Rate Risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of the changed in market interest rates.

Risk Management Policy

LFM manages its liquidity profile to be able to finance and to meet its obligations and capital expenditures and service its maturing debts. In addition, LFM conducts an evaluation regarding its projected and actual cash flow and makes the necessary assessment of the conditions of the financial markets to take opportunities to pursue fund raising initiatives.

Risk Assessment, Monitoring, and Measurement

The group's policy is to manage its interest cost using a mix of fixed and variable rate debt. There is no impact on the group's equity other than those already affecting profit and loss.

Liquidity Risk

Exposure

Liquidity Risk is the risk that the Company will be unable to pay its obligations when they fall due under normal and stress circumstances.

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Risk Management Policy

LFM manages its liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that enough cash is maintained to cover daily operational and working capital requirements. Management closely monitors LFM's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

Risk Assessment, Monitoring, and Measurement

There is a constant monitoring and juxtaposing of the outstanding debts and liabilities of LFM and its cash on hand. There are also times where certain liquidity measures may be undertaken when the Board determines that the liquidity of LFM is not in a comfortable state. These measures may take the form of sale of assets, liquidation of investments, and the like.

Internal Audit Charter

Internal Audit Charter

This internal audit charter establishes the functions, duties, and responsibilities of the internal audit in relation to the other functions, duties, responsibilities, management, and committees of LFM.

The Internal Audit Charter shall be approved and promulgated by the Audit Committee, and upon promulgation, such shall be subject to the approval of the Board. Upon approval of the Board, the Internal Audit Charter shall be deemed adopted. The Internal Audit Charter shall be reviewed annually, and the same process for passage shall apply for amendments or revisions.

The internal audit reports functionally to the audit committee, and administratively to President.

Policy Statement

LFM recognizes that an effective and proactive internal audit function is a foundational component of good corporate governance. It mobilizes the company to adopt measures that aid in the implementation of company goals, mitigate perceived and actual risks, all while delivering value to LFM's shareholders and stakeholders.

Purpose of the Internal Audit

The Internal Control System is defined as the framework where internal controls are developed and implemented (alone or in concert with other policies and procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Company is exposed.

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The internal controls are reviewed annually by the Directors, where they study whether the internal controls have fulfilled their functions to ensure the following: (i) reliability and integrity of financial and operational information; (ii) the effectiveness and efficiency of operation (iii) the safeguarding of assets; (iv) the compliance with policies, plans, procedures, laws, regulations and contracts; and (v) the accomplishment of established objectives and goals for operations or programs.

Furthermore, from an organizational point of view, the role of the internal audit is to provide independent and objective consulting services which may be resorted to by the Directors, Management, and other employees. Such consultancy services seek to provide different perspectives in the daily tasks and/or special projects performed by the Board, the Committees, Management and other employees.

The matters that will be considered by the internal audit are determined by the Audit Committee, in consultation with the Risk Oversight Committee, which are hinged on imminent and anticipated risks LFM faces. However, in general the process of evaluation and performance of the internal audit is conforms to the following control-review cycle:

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; and
6. Conduct of the foregoing procedures on a regular basis.

Responsibilities

The following are the general responsibilities of the internal audit, which responsibilities may be added to, when there are pressing and urgent matters that must be handled by the internal audit:

1. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;

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2. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
3. Performs consulting and advisory services related to governance and control as appropriate for the organization;
4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
6. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
7. Evaluates specific operations at the request of the Board or Management;
8. Monitors and evaluates governance process;
9. Review the integrity and accuracy of the financial statements of LFM;
10. Review the manner which management and other personnel use company resources;
11. Appraise and communicate to management and the risk oversight committee any threatened risk that it perceives, and the recommended measures to mitigate such risks;
12. Effectively coordinate the policies implemented by the board with the corresponding implementing body/ department within LFM;
13. Ensure that the ethics and values of LFM are adopted in business transactions;
14. Provide unbiased critique of the risk assessment process, corporate governance compliance, and internal controls of LFM; and
15. Provide insights on corporate governance, risk assessment, and internal controls by acting as the catalyst for Board and Management understanding.

Authority and Independence

In the performance of their functions and duties as members of the internal audit, all members shall be given absolute independence and unrestricted access to company records, documents, properties, and personnel.

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It is also a paramount responsibility of the Audit Committee to ensure that the internal audit is free from any and all interference by any third party.

EXTERNAL AUDIT

The Board, upon the recommendation of the Audit Committee, shall present to the Stockholders a duly accredited external auditor who shall make independent audits and ensure an objective and impartial evaluation and presentation of LFM's financial statements.

An external auditor may only serve as such for a period of five (5) consecutive years. The Board, at its discretion, may allow an external auditor to serve for a period of more than five (5) years, subject to the condition that the handling partner be replaced.

Additionally, all current and annual reports of LFM shall state the reason for any change in the external auditor, whether it be due to resignation, dismissal, service of five (5) consecutive years, or cessation from services; along with an indication of the date when such services were effectively terminated.

In the interest of independence of the external auditor, all the annual and current reports of LFM will contain a concise yet comprehensive discussion on unresolved disagreements between the external auditor and the internal auditor. These disagreements may concern the presentation or degree of disclosure in the financial statements, accounting principles or practices adopted, or scope of the audit. The Annual Report shall also contain and disclose the nature of non-audit services performed by the external auditor to manage scenarios of conflict of interest.

CODE OF BUSINESS CONDUCT AND ETHICS

Conflict of Interest

It is the duty and responsibility of a director to conduct fair business transactions with the Company and ensure that his personal interest does not conflict with the interest of LFM.

Conduct of Business and Fair Dealings

LFM directors, senior management and employees are directed towards a liberal and progressive entrepreneurship. This comes with the need to reconcile and harmonize being motivated by profit while being of service to the nation. Hence, in furtherance of these ideals, LFM recognizes that these goals are achievable when business is conducted with fairness and integrity. This gives rise to the need to pass and adhere to a Code of Conduct and Ethics that would govern LFM in all of its transactions and transcending all of its ranks.

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Receipt of Gifts from Third Parties

LFM allows the acceptance of gifts only during the Christmas Season. The value of the gifts is immaterial, rather, such gifts must be reasonable and not indicative of being in consideration of a special consideration.

Anti-Corruption

LFM adopts a zero-tolerance policy for acts of bribery and corruption. Consequently, all Directors, officers, and all employees shall adopt the following:

1. Directors, officers, management, and all employees shall not offer, promise, or imply any bribes of to any public officer or official in consideration of “facilitating” any transaction, even if such is made through another person; and
2. Directors, officers, management, and all employees shall not accept any bribe or promise of such from any person or organization in consideration for the performance or abstention of an act, the grant of preference or favor, the exertion or influence, and other similar acts, whether such be legal or illegal.

For the purposes of this policy the term “Bribe” means anything of value which shall inure to the material or reputational advantage of the recipient made not in the ordinary course of business.

This policy shall strictly be observed by all Directors, officers, and employees of the company in all their dealings with the Philippine Government or the government of any nation, customers, suppliers, creditors, debtors, and other business partners.

Violations of this Policy shall be penalized with a one (1) year suspension without pay or outright termination and dismissal from LFM, depending on the degree of the offense, without prejudice to the filing of the relevant criminal and/or administrative charges.

Compliance with Laws & Regulations

LFM complies with the relevant and applicable laws and regulations, as imposed by the various governmental bodies, agencies, and instrumentalities. Any deficiencies are immediately rectified. Moreover, the LFM directors, senior management and employees are directed to steer away from all overt and covert acts of bribery.

Respect of Trade Secrets/ Use of Non-Public Information

LFM directors, senior management and employees who possess trade secrets and/or material non-public information are properly informed not to release any and all information with respect thereto to ensure that all non-public information will not be released to the public until the appropriate disclosures have been made to the SEC and PSE, in accordance with the SRC.

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Employees are expected to keep confidential data on products, business processes, strategies, systems or other important information during or even after employment with the Company.

Furthermore, LFM adopts the laws, rules, regulations, and best practices concerning insider-trading.

Use of Company Funds and Assets

LFM directors, senior management and employees are directed to utilize LFM resources and assets with honesty and integrity. LFM ensures that the funds, assets, and information of LFM are maximized and used for the furtherance of the Company.

Employees are required to safeguard the Company's resources and assets with honesty and integrity. They must ensure that these assets are efficiently, effectively, and responsibly utilized.

Employment Practices

The LFM Human Resource Department complies with the Philippine labor laws, regulations, and best practices.

The relationship between the Directors and the Company is not covered nor governed by the Philippine labor laws. Furthermore, as directors, they are afforded a higher degree of trust which stems from greater expectations and responsibilities. Their service is at the pleasure of the stockholders and the Company.

Disciplinary Actions

Disciplinary actions and sanctions are put into place and implemented when violations have been committed.

Grounds for the removal or disqualification of directors are dealt with by the Board.

The violation of company rules and regulations may result in the appropriate disciplinary action. If necessary, a violation may result in legal action against the employee, or otherwise, its referral to the appropriate government authorities.

Whistleblower Policy

LFM's Whistleblowing Policy provides for a measure and mechanism for Directors, Management, Officers, personnel, suppliers, business partners, contractors, sub-contractors and other third parties to raise any and all concerns relative to the manner through which business is carried out. Furthermore, this policy provides assurance that any person who makes a report in good faith will not face harassment, reprisal, retaliation, or disciplinary action. Neither does LFM tolerate retaliation (in any form) which increases or is an attempt to increase the suffering of work against an LFM director, senior management and employee who reports honesty and in good faith.

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Any whistleblower may submit a written report to the Compliance Officer or the Lead Independent Director of any alleged grievance. The whistleblower may also request for a face-to-face meeting with the Compliance Officer, Lead Independent Director, Audit Committee, or Head Internal Auditor, at the whistleblower's comfort and preference.

Every report shall be acted promptly and expediently and in no case, unless the circumstances justify, shall any report be immediately discarded without the conduct of an investigation leading to a satisfactory conclusion that the acts being alleged did not take place. Furthermore, all reports made, and face-to-face meetings conducted shall be treated with the strictest confidence, and no disclosure shall be made except when deemed necessary by the Lead Independent Director.

Conflict Resolution

Any conflict concerning one or more directors is dealt with by the Board.

Any conflict concerning Senior Management is dealt with by the appropriate officer, or if necessary, by the Board.

Conflict resolution for employees is dealt with by management through the organizational and procedural structures, including a grievance machinery. The Company also respects the mode of dispute settlement indicated in any Collective Bargaining Agreement entered by the Company with a duly constituted and recognized employees' union.

The general rule for conflict resolution is that there will be a resort to Alternative Dispute Resolution. If there will be cases filed in court or other governmental bodies, LFM will submit itself to court-ordered mediation and judicial dispute resolution processes to exhaust the possible means to amicably settle any controversy which may arise.

LFM has adopted alternative dispute resolution provisions in some of its standard contracts. As much as possible, the Company aims to settle any dispute or possible dispute amicably.

RELATED PARTY TRANSACTIONS

Please see the Material Related Party Transaction Policy of the Company at the following URL: http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf

MANAGEMENT

Establishing a Management Team

It is the duty of the Board to establish a competent management team composed of individuals who possess capabilities and have demonstrated their competence and abilities in their given fields of practice.

Hence, it is the responsibility of the board to approve the selection of top management and the head of other control functions; as well as to assess their performance.

President

The President shall be a director and elected by the Board from their own members, and shall have the following duties and responsibilities:

1. Implements the corporation's strategic plan on the direction of the business;
2. Communicates and implements the corporation's vision, mission, values and overall strategy as formulated by the board and promotes any organization or stakeholder change in accordance with the same;
3. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
4. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
5. Directs, evaluates and guides the work of the key officers of the corporation;
6. Manages the corporation's resources prudently and ensures a proper balance of the same;
7. Provides the Board with timely information and interfaces between the Board and the employees;
8. Builds the corporate culture and motivates the employees of the corporation; and
9. Serves as the link between internal operations and external stakeholders.
10. Exercise general supervision overall operations and transactions of the Company;
11. Execute on behalf of the Company contracts and agreements which the Company may enter into; but this power shall be exclusive and the Board may at convenience or any other reason

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designate any other official or agent to sign contracts and agreements for and in behalf of the Company;

12. Unless other officers are so designated by the Board to sign, indorse and deliver alone or in conjunction with other officials whom the Board may designate, all checks, drafts, bills of exchange, promissory notes and orders of payments of sums of money in the name of and on behalf of the Company;
13. Submit an annual report of the operations of the Company to the Board and as such other times as the later may request, and an annual report to the stockholders at the annual meetings; and
14. Exercise such other powers and perform such other functions as the Board may from time to time fix or delegate.

Treasurer

The Treasurer shall be elected by the Board, and he may or may not be a stockholder of the Company, and shall have the following duties and responsibilities:

1. Have custody of and be responsible for all the funds, securities and bonds of the Company and keep a complete and accurate record of receipts and disbursements and other commercial transactions in the corresponding books of account of the Company and see to it that all disbursements and expenditures are evidenced by appropriate vouchers;
2. Deposit in the name and to the credit of the Company in such bank(s) as may be designated from time to time by the Board, all of the money, funds, securities, bonds and similar valuable effects belonging to the Company which may come under his control;
3. Render an annual statement showing the financial condition of the Company by the end of the year and such other financial reports as the Board or the President may from time to time require; and
4. Receive and give receipts for all moneys paid to the Company from any source whatsoever, and generally to perform such other duties as may be required by law or prescribed by the Board or the President.

The Treasurer may delegate the routine duties of this office to one or more employees of the Company with the approval of the President. He or those to who his duties may be delegated by the Board may be required to give a bond with enough sureties for the faithful performance of his duties.

SYNERGY WITH STOCKHOLDERS

Policy of Promotion of Shareholder Rights

The Board accepts and fully understands its commitment to ensure that shareholder rights are respected. To promote shareholder rights, LFM believes that all shareholders should be treated, recognized, and protected equally, regardless of how many shares a stockholder owns.

Shareholder Rights

Stockholders have the right to participate effectively participate and vote in matters relating to the Company including but not limited to the proceedings during the Annual/Special Stockholders' Meetings in accordance with the LFM's Charter Documents. It is in these meetings where corporate acts are approved by motion of stockholders, duly seconded, and passed. Stockholders are provided with disclosures, announcements and reports filed with the SEC and PSE through public records, press statements, and the company's website. Furthermore, LFM commits to inform Stockholders to the degree required by the SRC, PSE rules, and corporate best practices.

Stockholder shall always be notified of the pertinent details for both Annual and Special Meetings. Such notices shall include the kind of meeting (whether regular or special), date, time, venue, agenda of the meeting, record date of stockholders entitled to vote, and the date and place of proxy validation.

The stockholders are given time to participate regarding matters of concern and/or suggestions during the Annual and Special stockholders meeting. Also, the stockholders are given the contact information and business address of the Company if stockholders prefer to have a one-to-one meeting or correspondence with the Chairperson, Board members, individual directors or board committees.

In addition, the stockholders are accorded the following rights:

1. Right to participate in the approval of material corporate acts;
2. Right to propose holding of meetings and to include matters in the agenda ahead of the scheduled Annual and Special Stockholders' meeting, provided that proposal is given by the period stated and by a stockholder who possess the qualifications as stated in the notice of the meeting;
3. Right to nominate candidates to the Board of Directors;
4. Right to cause the removal of existing Directors in accordance with the grounds and procedures of existing laws;
5. Right to be informed on the nomination and removal process;

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6. Right to be informed of the voting procedures that would govern the Annual or Special Stockholders' Meeting; and
7. Right to inspect corporate records, provided that the request is reasonable as to time and substance; and
8. Other rights as may be provided for by law.

Stockholder Participation

To encourage stockholder participation, the company shall provide that the information statement, including the notice of meeting, to stockholders at least twenty-one (21) business days before the date of the stockholders' meeting.

In the event the stockholder is unable to attend meetings, said stockholder can accomplish a proxy form of the Company, which must be submitted at least seven (7) days before the meeting. The proxy need not be notarized to be honored by the Company. The proxy form shall be validated by means of cross-checking the signature of the stockholders against the signature cards with the company's stock and transfer agent. In the event the proxy form needs further validation, verification shall be made with the stockholder concerned itself.

At the meeting itself, after every matter on the agenda, the floor will be opened for the stockholders. At this portion, any stockholder may ask any question, make any recommendation, or issue any statement. LFM highly encourages its stockholders to take advantage of this opportunity to directly address their questions, statements, concerns, or suggestions to the Board and Management. All questions, statements, concerns, and suggestions will be recorded and placed in the minutes.

LFM will also make the votes on matters taken during the most recent Annual or Special Stockholders' Meeting available on the company Website the next working day.

Summary of The Treatment of Shareholders/Minority Shareholders

The Board is transparent and fair in the conduct of the annual and special stockholder's meetings of the Company. The stockholders are encouraged to personally attend the meetings. If they cannot attend, they are appraised ahead of time of their right to appoint a proxy through the notice which is sent in accordance with the by-laws of the Company. Furthermore, any doubt regarding the validity of a proxy is resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise those rights, and provide an adequate avenue for them to seek timely redress for breach of their rights.

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The Board takes the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information are made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration and/or approval.

Although all stockholders should be treated equally or without discrimination, the Board gives minority stockholders the right to propose the holding of the meetings and the items for discussion in the agenda to the business of the Company.

DUTIES AND RESPONSIBILITY TO STAKEHOLDERS

Declaration of Policy

LFM recognizes that its stakeholders are essential to its business. Consequently, there is a need for accurate stakeholder identification and promote cooperation in value and growth creation. As a matter of policy, the effects to stakeholders are considered in LFM's strategic and operational decisions, whether such stakeholder interest is direct or indirect.

Furthermore, LFM commits to respect the rights of stakeholders as established by law, contractual relations, and voluntary commitments. Hence, when and where stakeholder rights or interests are at stake, LFM ensures that stakeholders have the opportunity and recourse to redress the violation of their rights.

Customer Welfare

LFM's primary business is the sale of goods for general consumption where the customers have been an essential factor for past and current success and will remain a driving force for continued and future success. To reward and keep the loyalty of Our customers, they deserve one thing – the best. In furtherance of this LFM is committed to sustaining business excellence through consistently providing products that satisfy and secure the loyalty of customers. To achieve this LFM constantly innovates in order to match the products to current and anticipated consumer preferences.

Further to customer satisfaction, LFM has implemented measures to ensure that, customers questions, suggestions, or concerns are addressed. In diligently and actively responding to customer questions, suggestions, and concerns, LFM is able to keep customer engagement, as well as build a working knowledge of their preferences. These all lead to a better consumer experience, where the products We offer respond to their wants and are in line with their preferences.

Supplier and Contractors

Suppliers and contractors are a vital aspect of LFM's business. Suppliers provide LFM with the means to produce its products, while contractors help in production as well as distribution of finished

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products. Recognizing their value, good and lasting relationships with Our suppliers and contractors are of paramount importance. However, LFM also acknowledges that purchasing should be optimized, business opportunity losses are avoided, and materials and services are timely delivered. Accordingly, LFM tries to balance harmonious working relationships with the reminder that suppliers and contractors are under obligations to perform.

Additionally, suppliers and contractors undergo a pre-screening process. Negotiated contracts are also allowed.

Environmentally and Socially Friendly Value Chain

Achieving business goals in a sustainable way has been a point of emphasis and priority of LFM in recent years. There has been an effort to create and derive long-term value and at the same time immerse in best practices for the social, economic, and ecological environments that LFM operates in. This comes from the recognition that businesses, now more than ever, have an important an integral part to play in ensuring positive environmental and social impacts.

In furtherance of these principles LFM has sought to implement and carry out policies and practices which center around environmental conservation and social welfare. These practices are also matters which LFM suggests that different partners through its supply and distribution chain implement.

Community Interaction

LFM believes that society's progress is only as fast as its slowest member. To contribute to the economic development of the country, especially to those that marginalized by society, LFM is fully committed to use Filipino talent and labor as well as patronizing and prioritizing local industries as much as possible. Societal welfare is also endeavored by constantly studying the current economic conditions, and correspondingly understanding how certain changes in the economic conditions will affect various sectors of society.

Furthermore, the goals of profit making as well as that of nation building are goals that LFM believes can co-exist. However, in the implementation of these goals, LFM must be alert to the ever-changing conditions and likewise adapt in a manner that ensures balance and harmony with the aforementioned goals.

Employee Welfare

Employees have long been recognized by LFM as partners in driving value and growth. Stemming from this realization, LFM has always tried to implement safety, health and welfare standards, and policies that are in line with those implemented and required by the Department of Labor and Employment.

Aside from the standards that are set by law and regulation, LFM strives to ensure that the employees maintain a healthy balance between work and life. We acknowledge that work should not consume

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the days of Our employees, rather there are other important things that also merit time and consideration.

The health Our employees, as well as their peace of mind against any future illness is also important to LFM. In response to this, We have secured a hospitalization plan contract with the Insular Life Assurance Co., Ltd., to provide group hospitalization benefits to employees. In addition, the company has also secured a Memorandum of Agreement with the VRP Medical Center for certain health benefits of employees.

The Company does not have any fixed training program for its employees, but regularly sends its employees for training abroad, to supplement their knowledge and enhance their skills. These trainings are availed of as the opportunities arise, subject to the willingness of the employees, and the availability of funds.

The Company has policies on merit increases, salary adjustments, and recognition for high performing employees who demonstrate excellence in the workplace. Recognition programs are maximized to promote and reinforce behavior that are consistent with the values and desired culture of the company.

Performance is the main incentive, and rewards are differentiated across businesses and among employees according to the performance. The company strives to ensure the adequacy of benefits to cover the needs of its employees.

Employees are given a grievance avenue in which they can submit complaints to the internal auditor or the audit committee or any other responsible officer of the Company who can relay such complaints to the committee. The complaints are considered highly confidential.

Internal Breaches and Sanctions

In the event of violation of the provisions of this Code, the first breach is sanctioned with a reprimand, a second breach with a suspension and third is the removal from office. This is carried out by first sending a show cause letter in which the person of concern is given an opportunity to explain himself. Thereafter, the human resource department will assess and evaluate based on the allegations and the explanation and pieces given by both parties, in the decision for the imposition of sanctions.

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Signed:



WILLIAM CARLOS UY
Chairman/President



JOSE S. JALANDONI
Compliance Officer