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# SECURITIES AND EXCHANGE COMMISSION

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**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM – ACGR**  
**ANNUAL CORPORATE GOVERNANCE REPORT**

**GENERAL INSTRUCTIONS**

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year : **2013**
2. Exact Name of Registrant as Specified in its Charter : **Liberty Flour Mills, Inc.**
3. **Liberty Building, 835 A. Arnaiz Avenue, Makati City** **1200**  
Address of Principal Office Postal Code
4. SEC Identification Number **14782** 5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **470-000-128-846-V**
7. **(632) 892 5011**  
Issuer's Telephone number, including area code
8. N/A  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
William Carlos Uy	ED	N/A	William Carlos Uy	1986	May 30, 2012	Annual Meeting	27
Jose Ma. S. Lopez	ED	N/A	William Carlos Uy	1986	May 30, 2012	Annual Meeting	27
John Carlos Uy	NED	N/A	William Carlos Uy	1986	May 30, 2012	Annual Meeting	27
Vicente S. Vargas	ED	N/A	William Carlos Uy	1992	May 30, 2012	Annual Meeting	21
William Ang	NED	N/A	William Carlos Uy	1986	May 30, 2012	Annual Meeting	27
Jesus S. Jalandoni, Jr.	NED	N/A	William Carlos Uy	October 24, 2007	May 30, 2012	Annual Meeting	6
Benjamin Jalandoni	NED	N/A	William Carlos Uy	1993	May 30, 2012	Annual Meeting	20
David Ng	ID	N/A	William Carlos Uy (no relationship with nominator)	May 1990	May 30, 2012 (1 year, 5 months as ID)	Annual Meeting	20
Jose A. Feria Jr.	ID	N/A	William Carlos Uy (no relationship with nominator)	August 31, 2011	May 30, 2012 (1 year, 5 months as ID)	Annual Meeting	1
Daniel R. Maramba	NED	N/A	William Carlos Uy	December 22, 2010	May 30, 2012	Annual Meeting	2
Sandra Judy Uy	ED	N/A	William Carlos Uy	May 27, 2009	May 30, 2012	Annual Meeting	3

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

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

#### **SUMMARY OF THE CORPORATE GOVERNANCE POLICY**

The Liberty Philosophy is that a corporation is composed of people. The Corporation believes that, the collective efforts of the people, their vision and sense of value create opportunities, activities and philosophies which shapes the Corporation's achievements as well as its failures.

The Corporation is committed to an enlightened, liberal and progressive entrepreneurship. Management believes that it is possible, in fact better, to reconcile the profit motive with services to the nation and humanity in general. The Corporation believes that it can integrate its goals with the collective aspirations of the individual members of society so that both may fill the needs of the country and contribute to the progress of the human race. [Article 1 of the Manual of Corporate Governance of Liberty Flour Mills, Inc.]

#### **SUMMARY OF POLICIES WITH REGARD TO:**

##### **A) THE TREATMENT OF SHAREHOLDERS/MINORITY SHAREHOLDERS**

- (A) The Board shall respect the right of the stockholders as provided for in the Corporation Code, namely;

- (i) Right to vote on all matters that requires their consent or approval;
- (ii) Pre-emptive right to all stock issuances of the Corporation;
- (iii) Right to inspect corporate books and records;
- (iv) Right to information;
- (v) Right to dividends; and
- (vi) Appraisal right.

- (B) The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be 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 of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board should take 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 should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate to the business of the Corporation. [Article 12 of the Manual of Corporate Governance of Liberty Flour Mills, Inc.]

##### **B) DISCLOSURE DUTIES**

The essence of corporate governance is transparency. The more transparent the internal workings of the Corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the Corporation or misappropriate its assets.



It is therefore essential that all material information about the Corporation which could adversely affect its viability or the interest of the stockholders should be publicly and timely disclosed. Such information should include among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board of Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the Commission. [Article 14 of the Manual of Corporate Governance of Liberty Flour Mills, Inc. of the Manual of Corporate Governance of Liberty Flour Mills, Inc.]

### C) BOARD RESPONSIBILITIES

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance. [Article 9 (E) (1) of the Manual of Corporate Governance of Liberty Flour Mills, Inc.]

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

To monitor the compliance by the Corporation, it shall accomplish annually a scorecard on the scope, nature and extent of the actions they have taken to meet the objectives of this Code, whenever required by the Commission. [Article 16 of the Manual of Corporate Governance of Liberty Flour Mills, Inc.]

#### (d) Directorship in Other Companies

##### (i) Directorship in the Company's Group<sup>2</sup>

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
William Carlos Uy	Valero Land Corporation	ED
	LFM Land Corporation	ED
	LFM Properties Corp.	ED
Jose Ma. S. Lopez	Valero Land Corporation	NED
	LFM Land Corporation	NED
	LFM Properties Corp.	NED
Banjamin S. Jalandoni	N/A	N/A
John Carlos Uy	LFM Properties Corp.	NED
Vicente Vargas	N/A	N/A
William Ang	Valero Land Corporation	ED
	LFM Land Corporation	ED
Jose A. Feria, Jr.	N/A	N/A
Jesus S. Jalandoni, jr.	Valero Land Corporation	ED
	LFM Land Corporation	ED
	LFM Properties Corp.	ED
David Ng	N/A	N/A
Daniel Maramba	N/A	N/A
Sandra Judy Uy	N/A	N/A

##### (ii) Directorship in Other Listed Companies

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
William Carlos Uy	N/A	N/A
Jose Ma. S. Lopez	N/A	N/A
Benjamin S. Jalandoni	N/A	N/A
John Carlos Uy	N/A	N/A
Vicente Vargas	N/A	N/A
William Ang	N/A	N/A
Jose A. Feria, Jr.	N/A	N/A
Jesus S. Jalandoni, Jr.	N/A	N/A
David Ng	N/A	N/A
Daniel Maramba	N/A	N/A
Sandra Judy Uy	N/A	N/A

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
William Carlos Uy	Parity Values, Inc.	Director, President and CEO
Jose Ma. S. Lopez	Bacsay Management Corporation	Director, President Stockholder of 145,848 common shares (12.15%) of the outstanding capital stock of Bacsay Management Corporation
Benjamin S. Jalandoni	Valuline Realty Development Corporation	Director, Chairman Stockholder of 22 common shares (0.00%) of the outstanding capital stock of Valuline Realty Development Corporation
	Alegria Development Corporation	Stockholder of 37,345 common shares (3%) of the outstanding capital stock of Alegria Development Corporation
	Jayjay Realty Corporation	Director, President Stockholder of 60,253 common shares (24%) of Jayjay Realty Corporation
	Ganet Management Corporation	Director Stockholder of 16 common shares (0.00%) of the outstanding capital stock of Ganet Management Corporation
John Carlos Uy	Parity Values, Inc.	Director, General Manager
Vicente Vargas	L & J Agricultural, Inc.	Director, Vice-President

		Stockholder of 500 common shares (12.5%) of the outstanding capital stock of L & J Agricultural, Inc.
William Ang	Parity Values, Inc.	Director, 1 <sup>st</sup> Vice President and Treasurer
Jose A. Feria, Jr.	N/A	N/A
Jesus S. Jalandoni, Jr.	Valuline Realty Development Corporation	Director, President Stockholder of 27 common shares (0.00%) of the outstanding capital stock of Valuline Realty Development Corporation
	Alegria Development Corporation	Director, President Stockholder of 52,345 common shares (5%) of the outstanding capital stock of Alegria Development Corporation
	Jaujay Realty Corporation	Director, Vice President Stockholder of 50,745 common shares (20%) of the outstanding capital stock of jayjay Realty Corporation
	Ganet Management Corporation	Director Stockholder of 2 common shares (0.00%) of the outstanding capital stock of Ganet Management Corporation
David Ng	N/A	N/A
Daniel Maramba	Sebring Management Corporation	Director, Chairman and President Stockholder of 29,925 common shares (60%) of the outstanding capital stock of Sebring Management Corporation
Sandra Judy Uy	N/A	N/A

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

**NO**, the Corporation has not set a limit on the number of board seats in other companies that an individual director may hold simultaneously. However, according to the Corporation's Manual of Corporate Governance, a director shall observe certain norms of conduct to ensure that his personal interest does not conflict with the interests of the Corporation, and to enable him to devote the time and attention necessary to properly and effectively perform his duties and responsibilities, and the Board may adopt guidelines for the limiting of directorships in other companies that a director can hold.

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	A director should observe the following norms of conduct:	The Company has not set a limit on the number of board seats in
<b>Non-Executive Director</b>		

<b>CEO</b>	<ul style="list-style-type: none"> <li>• Conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation.</li> <li>• Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</li> </ul>	<p>other companies that an individual director may hold simultaneously.</p> <p>However, the Article 9 (A) B. of the Manual for Corporate Governance states that:</p> <p>The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.</p> <p>The Chief Executive Officer (“CEO”) and other executive directors may be covered by a lower indicative limit of membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.</p>
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(e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
William Carlos Uy	4,187,185	N/A	8.37%
Jose Ma. S. Lopez	245,216	N/A	0.49%
Benjamin S. Jalandoni	1	N/A	0.00%
John Carlos Uy	125	N/A	0.00%
Vicente Vargas	157,451	N/A	0.31%
William Ang	125	N/A	0.00%
Jose A. Feria, Jr.	12	N/A	0.00%
Jesus S. Jalandoni, Jr.	39,345	N/A	0.07%
David Ng	126	N/A	0.00%
Daniel R. Maramba	144,532	N/A	0.28%
Sandra Judy Uy	1	N/A	0.00%
<b>TOTAL</b>	<b>4,774,119</b>	N/A	<b>9.52%</b>

2) Chairman and CEO

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

Yes

No

Identify the Chair and CEO:

Chairman of the Board	William Carlos Uy
CEO/President	Same as above

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<p>Ensure that the meetings of the Board are held in a accordance with the by-laws or as the Chair may deem necessary;</p> <p>Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the directors; and</p> <p>Maintain qualitative and timely lines of communication and information between the Board and Management. [Article 9 (B) of the Manual of Corporate Governance of Liberty Flour Mills, Inc.]</p> <p>To preside at all meetings of the stockholders and of the directors;</p> <p>Take the initiative in establishing new business connections for the cooperation and of studying the possibilities of new fields for investment;</p> <p>Submit matters of policy for the consideration of the Board (By-Laws)</p>	<p>Same as Chairman, and in addition thereto:</p> <p>Exercise general supervision over all other officers of the corporation;</p> <p>Execute on behalf of the corporation contracts and agreements which the said corporation may enter into; but this power shall be exclusive and the Board of Directors may for convenience or any other reason designate any other official or agent to sign contracts and agreements on behalf of the corporation;</p> <p>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 and on behalf of the corporation;</p> <p>Submit an annual report of the operations of the corporation to the Board of Directors as such other times as the latter may request, and an annual report thereof to the stockholders at the annual meetings;</p> <p>Exercise such other powers and perform such other duties as the Board of Directors may from time to time fix or delegate. (By-laws)</p>
Accountabilities	Same as above	Same as above

Deliverables	Agenda for Meetings	Same as Chairman, and same as above
	Statement of Management's Responsibility for Audited Financial Statements	
	SEC Forms 17-A, 17-Q	
	Other reports required by law	

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

**VACANCIES IN AND DELEGATION OF OFFICERS**

If the office of the Chairman of the Board, President, Executive Vice-President, any Vice-President, Treasurer, Secretary or Director becomes vacant by death, resignation or otherwise, the remaining directors, if still constituting a quorum by a majority vote may choose a successor or successors who shall hold office for the unexpired term.

In case of the temporary absence of any officer of the company, or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the powers and duties of such officers to any other officer or to any director for the time being, provided a majority of the Board concur therein and such delegation is not covered by any express provision of the By-laws. (By-laws)

4) Other Executive, Non-Executive and Independent Directors

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

**NO**, the company does not have such written policy. However, the current directors have diverse backgrounds and work experience.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

**YES**, although the company does not have a written policy that specifically states that at least one non-executive director has experience in the sector or industry the company belongs to. The company has non-executive directors that are well experienced, which allows them to give objective views, perspectives, and decisions on matters raised to the board.

In addition thereto, the Article 9 (C), QUALIFICATION OF DIRECTORS, of the Manual of Corporate Governance states that in addition to the qualifications for membership in the board provided in the Corporation Code, Securities Regulation Code and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:

- (i) College education or equivalent academic degree;
- (ii) Practical understanding of the business of the corporation;**
- (iii) Membership in good standing in relevant industry, business or professional organizations;** and
- (iv) Previous business experience.

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

	Executive	Non-Executive	Independent Director
Role	A director's office is one of trust and confidence. A director should act in the	Same	Same

	<p>best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p> <p>A director should observe the following norms of conduct:</p> <p>(i) Conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.</p> <p>(ii) Devote time and attention necessary to properly and effectively perform his duties and responsibilities.</p> <p>(iii) Act judiciously.</p> <p>(iv) Exercise independent judgment.</p> <p>(v) Have working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the commission and where applicable, the requirements of relevant regulatory agencies.</p> <p>(vi) Observe confidentiality. (Article 9 (F) of the Manual for Corporate Governance)</p>		
Accountabilities	Same as above	Same	Same
Deliverables	<p>To exercise the powers of the board as stated in the By-laws and the Manual for Corporate Governance.</p> <p>Executes all minutes of the meetings and resolutions of the board.</p>	Same	Same

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

Independence (of a director) is defined in Article 7, Definition of Terms, of the Manual of Corporate Governance of Liberty Flour Mills, Inc., as freedom from management and free from any business or other relationship, which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment. This can be taken to be the definition of independence in reference to Liberty Flour Mills, Inc.

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

The company complies with the Corporation Code, Securities Regulation Code, its by-laws and Manual of Corporate Governance in the election of independent directors. The company has also taken note of SEC Memorandum Circular No. 9 Series of 2011.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
N/A			
N/A			

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<p>The by-laws provide that directors shall be elected annually by the stockholders entitled to vote to serve until the election and qualification of their successors</p> <p>All officers shall be elected to their offices by a majority vote of the board of directors.</p> <p>The Manual for Corporate Governance provides that the nomination committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval</p>	<p>Qualifications as provided for in the Corporation Code, Securities Regulation Code and other relevant laws, and in addition, the Manual for Corporate Governance provides that the board may provide for additional qualifications such as:</p> <p>College education or equivalent academic degree;</p> <p>Practical understanding of the business of the corporation;</p> <p>Membership in good standing in relevant industry, business or professional organizations; and</p> <p>Previous business experience.</p>
(ii) Non-Executive Directors	<p>The by-laws provide that directors shall be elected annually by the stockholders entitled to vote to serve until the election and qualification of their successors</p> <p>The Manual for Corporate Governance provides that the nomination committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval</p>	<p>Qualifications as provided for in the Corporation Code, Securities Regulation Code and other relevant laws, and in addition, the Manual for Corporate Governance provides that the board may provide for additional qualifications such as:</p> <p>College education or equivalent academic degree;</p> <p>Practical understanding of the business of the corporation;</p> <p>Membership in good standing</p>



		<p>in relevant industry, business or professional organizations; and</p> <p>Previous business experience.</p>
(iii) Independent Directors	<p>The by-laws provide that directors shall be elected annually by the stockholders entitled to vote to serve until the election and qualification of their successors</p> <p>The Manual for Corporate Governance provides that the nomination committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval</p>	<p>Qualifications as provided for in the Corporation Code, Securities Regulation Code and other relevant laws, and in addition, the Manual for Corporate Governance provides that the board may provide for additional qualifications such as:</p> <p>College education or equivalent academic degree;</p> <p>Practical understanding of the business of the corporation;</p> <p>Membership in good standing in relevant industry, business or professional organizations; and</p> <p>Previous business experience.</p>
<b>b. Re-appointment</b>		
(i) Executive Directors	<p>The by-laws provide that directors shall be elected annually by the stockholders entitled to vote to serve until the election and qualification of their successors</p> <p>All officers shall be elected to their offices by a majority vote of the board of directors.</p> <p>The Manual for Corporate Governance provides that the nomination committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval</p>	<p>Qualifications as provided for in the Corporation Code, Securities Regulation Code and other relevant laws, and in addition, the Manual for Corporate Governance provides that the board may provide for additional qualifications such as:</p> <p>College education or equivalent academic degree;</p> <p>Practical understanding of the business of the corporation;</p> <p>Membership in good standing in relevant industry, business or professional organizations; and</p> <p>Previous business experience.</p>
(ii) Non-Executive Directors	<p>The by-laws provide that directors shall be elected annually by the stockholders entitled to vote to serve until the election and qualification of their successors</p> <p>The Manual for Corporate</p>	<p>Qualifications as provided for in the Corporation Code, Securities Regulation Code and other relevant laws, and in addition, the Manual for Corporate Governance provides that the board may provide for additional</p>

	<p>Governance provides that the nomination committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval</p>	<p>qualifications such as:</p> <p>College education or equivalent academic degree;</p> <p>Practical understanding of the business of the corporation;</p> <p>Membership in good standing in relevant industry, business or professional organizations; and</p> <p>Previous business experience.</p>
(iii) Independent Directors	<p>The by-laws provide that directors shall be elected annually by the stockholders entitled to vote to serve until the election and qualification of their successors</p> <p>The Manual for Corporate Governance provides that the nomination committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval</p> <p>Under SEC Memorandum Circular No. 9, Series of 2011, an independent director may only serve for five (5) consecutive years, after which he will be ineligible for election until after two (2) years from his last election, after which he may again serve for another five (5) years. After the second five (5) year term, he will be perpetually disqualified to be elected as an independent director of the corporation.</p>	<p>Qualifications as provided for in the Corporation Code, Securities Regulation Code and other relevant laws, and in addition, the Manual for Corporate Governance provides that the board may provide for additional qualifications such as:</p> <p>College education or equivalent academic degree;</p> <p>Practical understanding of the business of the corporation;</p> <p>Membership in good standing in relevant industry, business or professional organizations; and</p> <p>Previous business experience.</p>
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p>Under the Manual for Corporate Governance, the following shall be grounds for the permanent disqualification of a director:</p> <p>(i) conviction by final judgment or order by 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</p>	<p>See process</p>

	<p>of a 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;</p> <p>(ii) found guilty of misconduct after hearing and is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:</p> <p>(a) acting as underwriter, broker, 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; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or any other rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and</p>	
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	<p>banking, or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>(iii) conviction by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>(iv) final judgment or order of the Commission, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or produced the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the Commission or BSP, or any of its rule regulation or order;</p> <p>(v) judicial declaration of insolvency</p> <p>(vi) guilt by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (iv) above;</p> <p>(vii) conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his</p>	
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	election or appointment.	
(ii) Non-Executive Directors	Same as above	Same
(iii) Independent Directors	Same as above, with the addition that an independent director who becomes an officer, employee or consultant of the same corporation shall be disqualified as an independent director; and guilt by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in paragraphs (i) to (v) of Article 9 (D) of the Manual for Corporate Governance.	See process
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	N/A	N/A
(ii) Non-Executive Directors	N/A	N/A
(iii) Independent Directors	N/A	N/A
<b>e. Removal</b>		
(i) Executive Directors	Death, resignation or otherwise (By-laws)  Permanent disqualification under any of the grounds listed above (Manual for Corporate Governance)	See process
(ii) Non-Executive Directors	Same as above	See process
(iii) Independent Directors	Same as above	See process
<b>f. Re-instatement</b>		
(i) Executive Directors	The by-laws provide that in case of the temporary absence of any officer of the company, or for any other reason that the board may deem sufficient, the board may delegate the powers and duties of such officers to any other officer or to any director for the time being, provided a majority of the board concur therein and such delegation is not covered by any express provision of the by-laws.	See process
(ii) Non-Executive Directors	Same as above	Same as above
(iii) Independent Directors	Same as above	Same as above

<b>g. Suspension</b>		
(i) Executive Directors	N/A	N/A
(ii) Non-Executive Directors	N/A	N/A
(iii) Independent Directors	N/A	N/A

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
William Carlos Uy	More than a majority vote
Sandra Uy	
John Carlos Uy	
Vincent Vargas	
William Ang	
David Ng	
Jose Ma. S. Lopez	
Benjamin Jalandoni	
Jesus Jalandoni	
Daniel Maramba	
Jose A. Feria, Jr.	

6) Orientation and Education Program

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

All new directors are required to go through an orientation about the company from the pertinent corporate officers. The directors are likewise given an orientation kit that includes the latest Annual Report, Definitive Information Statement, relevant disclosures to the SEC and PSE, Revised Corporate Governance manual, and all relevant governance policies.

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years:

There were no in-house training and external courses attended by directors and senior management for the past three (3) years. Although, all the directors have attended their respective seminars on Corporate Governance.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
N/A			
N/A			
N/A			

**B. CODE OF BUSINESS CONDUCT & ETHICS**

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	It is the duty and responsibility of a director to conduct fair business transactions with the Corporation, and ensure that his personal interest does not conflict with the interest of the corporation. (Manual for Corporate Governance)	Same	Same
(b) Conduct of Business and Fair Dealings	Same as above	Same	Same
(c) Receipt of gifts from third parties	The company allows the acceptance of gifts only during the Christmas Season. There is no restriction on the value of gifts received.	Same	Same
(d) Compliance with Laws & Regulations	The company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.	Same	Same
(e) Respect for Trade Secrets/Use of Non-public Information	Employees are expected to keep confidential data on products, business processes, strategies, systems or other important information during or even after employment with the corporation.	Same	Same
(f) Use of Company Funds, Assets and Information	Employees are required to safeguard company resources and assets with honesty and integrity. They must ensure that these assets are efficiently, effectively and responsibly utilized.	Same	Same
(g) Employment & Labor Laws & Policies	The relationship between the directors and the corporation is not covered by labor laws.	The company ensures compliance with current employment and labor laws and policies.	Same
(h) Disciplinary action	Grounds for the	The violation of company	Same

	removal or disqualification of directors are dealt with by the board.	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.	
(i) Whistle Blower	An employee may discuss or disclose any concern regarding a potential violation with the appropriate company officer.	Same	Same
(j) 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 that are in place.

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

**YES**

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

All new directors, senior management and employees undergo an orientation program to familiarize themselves with the company's policies on ethics and conduct. They are also required to acknowledge when they have undergone such orientation.

4) Related Party Transactions

(a) Policies and Procedures

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

Related Party Transactions	Policies and Procedures
(1) Parent Company	N/A, the corporation is not a subsidiary of another company.
(2) Joint Ventures	The company applies the "arm's-length principle" in transactions entered into with related parties.
(3) Subsidiaries	Treated as arm's-length transactions
(4) Entities Under Common Control	Treated as arm's-length transactions
(5) Substantial Stockholders	Treated as arm's-length transactions
(6) Officers including spouse/children/siblings/parents	Treated as arm's-length transactions
(7) Directors including spouse/children/siblings/parents	Treated as arm's-length transactions
(8) Interlocking director relationship of Board of Directors	As provided under Section 33 of the Corporation Code.



(b) Conflict of Interest

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

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

		<b>Details of Conflict of Interest (Actual or Probable)</b>
William Carlos Uy		Both William Carlos Uy and Parity Values, Inc. own at least 5% of the corporation. William Carlos Uy is also the Chairman of Parity Values, Inc. which is a distributor of the corporation.
Parity Values, Inc.		

(ii) Mechanism

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

		<b>Directors/Officers/Significant Shareholders</b>
Company		Directors, officers and employees are required to disclose the extent of their business interest in order to determine any possible conflicts of interest.
Group		Directors, officers and employees are required to disclose the extent of their business interest in order to determine any possible conflicts of interest.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description of the Relationship</b>
Parity Values, Inc. (40.48%)	Business	William Carlos Uy is the Chairman and President and CEO of Parity Values Inc.  John Carlos Uy is a Director and General Manager of Parity Values, Inc.  William Ang is a Director and 1 <sup>st</sup> Vice President and Treasurer of Parity Values, Inc.
William Carlos Uy (8.37%)	Family	William Carlos Uy and John Carlos Uy are brothers. Sandra Judy Uy is the daughter of William Carlos Uy, and the niece of John Carlos Uy.

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

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

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

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

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

6) Alternative Dispute Resolution

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

	Alternative Dispute Resolution System
<b>Corporation &amp; Stockholders</b>	None
<b>Corporation &amp; Third Parties</b>	The corporation has adopted alternative dispute resolution provisions in some of its standard contracts. As much as possible, the corporation aims to settle any dispute or possible dispute amicably.
<b>Corporation &amp; Regulatory Authorities</b>	Not applicable

**C. BOARD MEETINGS & ATTENDANCE**

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

Board meetings are scheduled every last Wednesday of the month, as stated in the by-laws.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	William Carlos Uy	May 30, 2012	12	12	100
Member	Sandra Uy	May 30, 2012	12	12	100
Member	John Carlos Uy	May 30, 2012	12	12	100
Member	Vincent Vargas	May 30, 2012	12	11	91.6
Member	Jose Ma. S. Lopez	May 30, 2012	12	12	100
Member	Benjamin Jalandoni	May 30, 2012	12	10	83.3
Member	Jesus Jalandoni	May 30, 2012	12	12	100
Member	Daniel Maramba	May 30, 2012	12	12	100
Member	Jose A. Feria, Jr.	May 30, 2012	12	11	91.6
Independent	William Ang	May 30, 2012	12	12	100
Independent	David Ng	May 30, 2012	12	11	91.6

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

**No.**

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

The quorum for the regular transaction of business as stated in the by-laws is majority. However, the corporation is compliant whenever the vote required is set by the Corporation Code or other laws, rules and regulations at a number higher than majority.

- 5) Access to Information

- (a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?

At least one day before the meeting.

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

**YES.**

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

**POLICY ON THE ROLE OF THE COMPANY SECRETARY**

The Corporate Secretary, who should be a Filipino citizen and a resident of the Philippines, is an officer of the Corporation. He should –

- (i) Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees as well as the other official records of the Corporation;
- (ii) Be loyal to the mission, vision and objectives of the Corporation;
- (iii) Work fairly and objectively with the Board, Management and stockholders;
- (iv) Have appropriate administrative and interpersonal skills;
- (v) If he is not at the same time the Corporation's legal counsel be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;
- (vi) Have a working knowledge of the operations of the Corporation;
- (vii) Inform the members of 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 their approval;
- (viii) Attend all board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so;
- (ix) Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- (x) If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code. [Article 9 (K) of the Manual of Corporate Governance of Liberty Flour Mills, Inc.]

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<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

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

**YES**, the Corporate Secretary is trained in company secretarial practices.

(e) Committee Procedures

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

Yes

No

Committee	Details of the procedures
Executive	<p>To enable the members of the board (as committee members) to properly fulfill their duties and responsibilities, management should provide them with complete, adequate and timely information about the matters to be taken in their meetings.</p> <p>Reliance on information volunteered by management would not be sufficient in all circumstances and further inquiries may have to be made by a member of the board to enable him to properly perform his duties and responsibilities. Hence, the members should be given independent access to management and the corporate secretary.</p> <p>The information may include background or explanation on matters brought before the board, disclosures, budgets, forecasts and internal financial documents.</p> <p>The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Corporation's expense. (Article 10 of the Manual for Corporate Governance)</p>
Audit	
Nomination	
Remuneration	
Others (specify)	N/A

6) External Advice

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

Procedures	Details
The members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the Corporation's expense. (Article 10 of the Manual for Corporate Governance)	Same

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
None		

## D. REMUNERATION MATTERS

### 1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Should be sufficient to able to attract and retain the services of qualified and competent directors	Same
(2) Variable remuneration	A portion of the remuneration may be structured or based on corporate or individual performance	same
(3) Per diem allowance	Each director shall receive a reasonable per diem for his attendance at meetings	same
(4) Bonus	Performance-based	same
(5) Stock Options and other financial instruments	None	None
(6) Others (specify)	N/A	N/A

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Should be sufficient to able to attract and retain the services of qualified and competent directors. A portion of the remuneration may be structured or based on corporate or individual performance. (Manual for Corporate Governance)		
Non-Executive Directors			

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

Remuneration Scheme	Date of Stockholders' Approval
Ratification of the acts of the board of directors and its committees, officers and management.	May 26, 2010
Ratification of the acts of the board of directors and its committees, officers and management.	August 31, 2011
Ratification of the acts of the board of directors and its committees, officers and management.	May 30, 2012

### 3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	P3.74 Million	P0.22 Million	
(b) Variable Remuneration	N/A	N/A	
(c) Per diem Allowance	P5,000.00 for every board meeting attended	P5,000.00 for every board meeting attended	
(d) Bonuses	P10.41 Million	12.77 Million	
(e) Stock Options and/or other financial instruments	N/A		
(f) Others (Specify)	P0.19 Million	P0.44 Million	
<b>Total</b>	P14.35 Million	P13.43 Million	

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A		
2) Credit granted	N/A		
3) Pension Plan/s Contributions	N/A		
(d) Pension Plans, Obligations incurred	N/A		
(e) Life Insurance Premium	N/A		
(f) Hospitalization Plan	N/A		
(g) Car Plan	N/A		
(h) Others (Specify)	N/A		
<b>Total</b>	N/A		

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not applicable				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria

used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None		

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
None	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3	3	0	As provided for in Section 35 of the Corporation Code.			
Audit	0	2	1	a) Assist the board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; b) Provide oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from management of information on risk exposure and risk management activities; c) Perform oversight functions over the corporation'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; d) Review the annual audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;			

				<p>e) 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;</p> <p>f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;</p> <p>h) Review the reports submitted by the internal and external auditors;</p> <p>i) Review the quarterly half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <ul style="list-style-type: none"> <li>• Any change/s in accounting policies and practices</li> <li>• Major judgmental areas</li> <li>• Significant adjustments resulting from the audit</li> <li>• Going concern assumptions</li> <li>• Compliance with accounting standards</li> <li>• Compliance with tax, legal and regulatory requirements.</li> </ul> <p>j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>k) Evaluate and determine the non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;</p> <p>l) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the audit committee.</p> <p>The audit committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties.</p>
Nomination	1	1	1	To review and evaluate the qualifications of all persons nominated to the board and other appointments that require board approval, and to assess the effectiveness of the board's processes and procedures in the election and replacement of directors.
Remuneration	1	1	1	To 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 corporation's culture strategy and the business environment in which it operates.			
Others (specify)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	William Carlos Uy	May 30, 2012	1	1	100	1 year
Member (ED)	Jose Ma. S. Lopez	May 30, 2012	1	1	100	1 year
Member (NED)	John Carlos Uy	May 30, 2012	1	1	100	1 year
Member (ED)	Sandra Judy Uy	May 30, 2012	1	1	100	1 year
Member (NED)	William Ang	May 30, 2012	1	1	100	1 year

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	David Ng (also NED)	May 30, 2012	1	1	100	1 year
Member (NED)	Benjamin Jalandoni	May 30, 2012	1	1	100	1 year
Member (ID)	Jose A. Feria, Jr.	May 30, 2013	1	1	100	1 year

Disclose the profile or qualifications of the Audit Committee members.

Audit Committee members shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The chair of the Audit Committee should be an independent director. [Article 9 (J) of the Manual of Corporate Governance]

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

The Audit Committee's responsibilities relative to the external auditor are:

1. Perform oversight functions over the Corporation'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;
2. 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 efforts;
3. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
4. Review the reports submitted by the internal and external auditors;
5. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters
  - Any change/s in accounting policies and practices

- Major judgmental areas
- Significant adjustments resulting from the audit
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jose A. Feria, Jr. (also ID)	May 30, 2012	1	1	100	1 year 5 months
Member (ED)	Vicente Vargas	May 30, 2012	1	1	100	1 year 5 months
Member (NED)	John Carlos Uy	May 30, 2012	1	1	100	1 year 5 months

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	David Ng	May 30, 2012	1	1	100	1 year 5 months
Member (ED)	Jose Ma. S. Lopez	May 30, 2012	1	1	100	1 year 5 months
Member (ID)	William Ang	May 30, 2012	1	1	100	1 year 5 months

(e) Others (Specify)

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

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

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	N/A	
Audit	N/A	
Nomination	N/A	
Remuneration	N/A	
Others (specify)	N/A	

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	None	None
Audit	Assessment of the company's compliance with the Rules of Corporate Governance.	No significant issues that would put the company at major risk
Nomination	Recommendation and screening of nominees as directors and assessment of current directors.	No significant issues that would put the company at major risk
Remuneration	Review and evaluation of current remuneration policies and procedures.	No significant issues that would put the company at major risk
Others (specify)	None	None

5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	None
Audit	Review of Audited Financial Statements, submission of reportorial requirements such as 17-A and 17-Q, submission of internal audit reports	Accuracy of the information and areas for improvement.
Nomination	Screening of nominees	Qualifications of nominees.
Remuneration	Screening and evaluation of employees for promotion	Qualifications of candidates.
Others (specify)	None	None

**F. RISK MANAGEMENT SYSTEM**

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The company aims to identify, measure, analyze, monitor and control all forms of risks that would affect the company.

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

There is no statement issued. The audit committee reviews the effectiveness of risk management systems employed by the company.

(c) Period covered by the review;

The period covered is from May 30, 2012 to June 5, 2013. The audit committee periodically reviews the risk management system of the company through its meetings and review of required reports.

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

The risk management system is reviewed annually. The directors' criteria for assessing the effectiveness of the risk management system are whether such risk management policies reflect changes in the market conditions and the company's activities.

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

N/A

2) Risk Policy

(a) Company

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

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Credit Risk represents the loss that the Group would incur if the counterparty failed to perform under its contractual obligations.	The group has established controls and procedures in its credit policy to determine and monitor the credit worthiness of customers and counterparties. The Group is operating under a sound credit-granting process over its distributors. Credit monitoring process involves a weekly check over collections based on a benchmark.	To minimize losses due to credit risk.
Market Risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stock.	The group's market risk policy includes managing such risk by setting and monitoring the investment's movement in the trade market.	To minimize risk of not being able to meet funding obligations.
Equity Price Risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices.	The group'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.	To maintain the risk at an acceptable level.
Interest Rate Risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	The group's policy is to manage its interest cost using a mix of fixed and variable rate debt.	The group's policy is to manage its interest cost using a mix of fixed and variable rate debt.
Liquidity Risk is the risk that the group will be unable to pay its obligations when they fall due under normal and stress circumstances.	The group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the	To minimize the risk of not being able to meet funding obligations.

	group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.	
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(b) Group

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

Risk Exposure	Risk Management Policy	Objective
See above.		

(c) Minority Shareholders

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

Risk to Minority Shareholders
The minority shareholders are subject to the risk of the exercise by the majority shareholders of their voting power. However, the Corporation Code provides for minority shareholders' protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. The Corporation Code also grants shareholders an appraisal right, allowing a dissenting shareholder to require a corporation to purchase his shares in certain instances.

3) Control System Set Up

(a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	The group's trade receivables are concentrated with its three distributors, which account for 99% of the total trade receivables. The group has been transacting business with these distributors for a long time and has not encountered any credit issue with them.	The group is in close coordination with these distributors to bring their accounts to current
Equity Price Risk	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	The group's long-term loan in 2012 is exposed to such risk.	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.
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(b) Group

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
See above		

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors	The board is ultimately responsible for the oversight of the group's risk management processes.	Final approval and review of reports, findings and recommendations of the audit committee.
Audit Committee	Oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.	The committee is assisted in its oversight role by the internal audit. Internal audit reviews risk management controls and procedures, the results of which are reported to the audit committee.

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

Internal Control System is defined as the framework under which 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 corporation is exposed. [Article 7 (j) of the Manual on Corporate Governance]

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

There is no statement that has been issued to attest to the effectiveness of the internal control system. However, the audit committee and ultimately the board, have found adequate the effectiveness and sufficiency of the internal control system.

(c) Period covered by the review;

The period covered is from May 30, 2012 to June 5, 2013.

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

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

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

N/A

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
To provide an independent, objective assurance and consulting services within the company designed to add value and improve the company's operations	The examination and evaluation of the company's risk management, controls, and processes	In-house	Ms. Lizel L. Lasan	Internal audit reports functionally to the audit committee, the audit committee reports to the board

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

**YES.**

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

The internal auditor reports to the audit committee. The audit committee establishes the scope of the report which the internal audit must prepare to enable it to properly fulfill its duties and responsibilities. The audit committee also ensures that, in the performance of the work of the internal audit, the internal audit shall be free from interference by outside parties.

- (d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Reason
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N/A	

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

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

<b>Progress Against Plans</b>	On-going
<b>Issues<sup>6</sup></b>	No significant issues that would put the company at major risk.
<b>Findings<sup>7</sup></b>	No significant findings that would put the company at major risk.
<b>Examination Trends</b>	No significant examination trends were noted.

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

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

(f) Audit Control Policies and Procedures

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

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
The internal auditor submits to the audit committee annual reports of the internal audit’s activities and performance relative to the audit plans and strategies as approved by the audit committee.	Implemented

(g) Mechanisms and Safeguards

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

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
With respect to the internal auditor, he has direct access to management and the corporate secretary and is not interfered	The corporation engages independent financial analysts.	The corporation engages independent investment banks.	The corporation engages independent ratings agencies.

<sup>6</sup> “Issues” are compliance matters that arise from adopting different interpretations.

<sup>7</sup> “Findings” are those with concrete basis under the company’s policies and rules.



with by the board members or corporate officers.			
With respect to the external auditor, the corporation engages an independent external auditor.			

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

The Chairman of the corporation will attest to the company's full compliance with the SEC Code of Corporate Governance, and that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and internal mechanisms are in place to ensure that compliance.

#### H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	The corporation is committed to sustain business excellence and consistently improve shareholder value by providing products and services that delight and secure the loyalty of customers, and a working environment that reflects quality as a way of life.	Customers are informed of the company's customer relations contacts to ensure that their welfare and questions are addressed.
Supplier/contractor selection practice	The corporation has a procurement policy which ensures that purchasing is optimized, business opportunity losses are avoided and materials and services are timely delivered.	Suppliers and contractors undergo a pre-screening process. Negotiated contracts are also allowed.
Environmentally friendly value-chain	The company complies with government-mandated policies on the environment.	Required environment management systems and energy management are complied with by the company.
Community interaction	Management believes that it is possible to reconcile the profit motives with services to the nation and humanity in general. The company believes that it can integrate its goals with the collective aspirations of the individual members of society so that both may fill the needs of the country and contribute to the progress of the human race.	Please see the portion on corporate social initiatives.
Anti-corruption programmes and procedures?	The company has policies that cover business conduct, conflict of interest, offenses subject to disciplinary action and	New employees are oriented regarding policies and procedures related to business conduct. All employees are given periodic

	disqualification, etc.	reminders.
Safeguarding creditors' rights	The company abides by its financial and legal commitments to creditors.	There is regular communication with creditors through briefings and the like.

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

**NO.** The company's corporate responsibility report is part of the Annual Report.

3) Performance-enhancing mechanisms for employee participation.

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

The company abides by the safety, health and welfare standards and policies set by the Department of Labor and Employment. Likewise, the company has security and safety measures that are implemented and regularly reviewed to ensure the security, safety, health and welfare of the employees in the work place.

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

The company strives to ensure that the employees maintain a healthy balance between work and life. The company has also secured a hospitalization plan contract with The Insular Life Assurance Co., Ltd., to provide group hospitalization benefits to employees. Aside from this, the company also secured a Memorandum of Agreement with VRP Medical Center also for the benefit of employees. The company's policies concerning conduct and discipline also strive to ensure the safety and welfare of all employees. A well streamlined operation also ensures the avoidance of accidents and employee illnesses and injuries in the work place.

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

The company does not have any fixed training program for its employees, but regularly sends its employees for training abroad such as in Singapore or the United States of America, to enhance their performance. These trainings are availed of as the opportunities arise, and subject to the availability of the employees, and the availability of corporate funds.

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

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 their performance. The company strives to ensure the adequacy of benefits to cover the needs of its employees.

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

Employees 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 and the identities of the employees are not divulged.

## I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Parity Values, Inc.	20,241,285	40.48%	Carlos Uy Corporation which owns 33% of Parity Values, Inc.
William Carlos Uy	4,187,185	8.37%	William Carlos Uy
PCD Nominee Corp.	3,784,214	7.57%	Philippine Depository & Trust Corp. which owns 99.9% of PCD Nominee Corp.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
William Carlos Uy	4,187,185	0	8.37%
Jose Ma. S. Lopez	245,216	0	0.49%
Benjamin S. Jalandoni	1	0	0.00%
John Carlos Uy	125	0	0.00%
Vicente Vargas	157,451	0	0.31%
William Ang	125	0	0.00%
Jose A. Feria, Jr.	12	0	0.00%
Jesus S. Jalandoni, Jr.	39,345	0	0.07%
David Ng	126	0	0.00%
Daniel R. Maramba	144,532	0	0.28%
Sandra Judy Uy	1	0	0.00%
<b>TOTAL</b>	<b>4,774,119</b>	<b>0</b>	<b>9.52%</b>

2) Does the Annual Report disclose the following:

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

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

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

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip Gorres Velayo & Co	P500,000.00	N/A

4) Medium of Communication

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

Website, electronic mail, regular mail, fax, personal delivery

5) Date of release of audited financial report:

March 22, 2013

6) Company Website

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

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	NO
Shareholding structure	NO
Group corporate structure	YES
Downloadable annual report	NO
Notice of AGM and/or EGM	NO
Company's constitution (company's by-laws, memorandum and articles of association)	NO

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

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Please see note 22 (Related Party Transactions) of the Notes to the Consolidated Financial Statements for the year ended December 31, 2012			

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

Transactions between related parties are similar to those offered to non-related parties.

**J. RIGHTS OF STOCKHOLDERS**

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

(a) Quorum

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

<b>Quorum Required</b>	Majority of the subscribed capital stock entitled to vote
------------------------	---

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	In accordance with the Corporation Code
<b>Description</b>	Corporate acts are approved by motion of stockholders, duly seconded, and passed if there are no objections.

(c) Stockholders' Rights

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

<b>Stockholders' Rights under The Corporation Code</b>	<b>Stockholders' Rights <u>not</u> in The Corporation Code</b>
Stockholders' rights concerning Annual/Special Stockholders' Meeting are in accordance with the provisions stated in the Corporation Code.	There are no stockholders' rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Dividends

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
November 26, 2012	December 11, 2012	N/A (2013)

(d) Stockholders' Participation

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

<b>Measures Adopted</b>	<b>Communication Procedure</b>
Stockholders are given the opportunity to ask questions during the stockholders' meeting.	Stockholders are provided with disclosures, announcements and reports filed with the SEC and PSE through public records, press statements, and the company's website.  Stockholders are informed at least fifteen (15) business days prior to the meeting date. The notice of the meeting includes date, time, venue and agenda of the meeting, and the record date of stockholders entitled to vote, and the date and place of proxy validation.

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

The company complies with the provisions of the Corporation Code and the Securities Regulation Code on the above matters.

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

The Company complies with the SRC Rule 20 (Disclosures to stockholders prior to meeting) which provides that the information statement, including the notice of meeting, shall be distributed to stockholders at least 15 business days before the date of the stockholders' meeting. The relevant dates pertaining to the last annual stockholders' meeting of the company is set forth below:

- a. Date of sending out notices: May 9, 2012
- b. Date of the Annual/Special Stockholders' Meeting: May 30, 2012

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

The usual questions asked during stockholders' meetings pertain to dividends and disclosures made in the audited financial statements of the company.

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

Resolution	Approving	Dissenting	Abstaining
Election of the board of directors	More than a majority	N/A	Less than 1%
Election of the External Auditor	More than a majority	N/A	Less than 1%

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Not published.

(e) Modifications

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

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. William Carlos Uy 2. Jose Ma. S. Lopez 3. Benjamin Jalandoni 4. John Carlos Uy 5. William Ang 6. Vicente Vargas 7. Jesus Jalandoni, Jr. 8. David Ng	May 30, 2012	By <i>viva voce</i> or show of hands	91.88%		91.88%

	9. Sandra Judy Uy 10. Daniel R. Maramba 11. Jose A. Feria, Jr.				
Special	N/A				

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

**NO.**

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

**YES.**

(g) Proxy Voting Policies

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

	Company's Policies
Execution and acceptance of proxies	Stockholders who cannot personally attend the meetings may vote by proxy, accomplishing the proxy form of the company, which must be submitted not less than 7 days before the meeting.
Notary	Provided for but not required
Submission of Proxy	See above.
Several Proxies	N/A
Validity of Proxy	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.
Proxies executed abroad	Not applicable
Invalidated Proxy	Of no force and effect
Validation of Proxy	Validation must be confirmed by the company at least 7 days prior to the date of the meeting.
Violation of Proxy	Any violation of this Rule on Proxy shall be subject to the administrative sanctions provided for under Section 144 of the Corporation Code and Section 54 of the Securities Regulation Code, and shall render the proceedings null and void.

(h) Sending of Notices

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

<b>Policies</b>	<b>Procedure</b>
The company complies with the SRC Rule 20 (Disclosures to stockholders prior to meeting) which provides that the information statement, including the notice of meeting, shall be distributed to stockholders at least 15 business days before the date of the stockholders' meeting.	By courier, mail or personal delivery

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	486 Stockholders
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	May 9, 2012
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	May 9, 2012
<b>State whether CD format or hard copies were distributed</b>	Hard copies
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	N/A

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

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

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

2) Treatment of Minority Stockholders

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

<b>Policies</b>	<b>Implementation</b>
The Board shall respect the right of the stockholders as provided for in the Corporation Code, namely;  (vii) Right to vote on all matters that requires their consent or approval; (viii) Pre-emptive right to all stock issuances	Implemented



<p style="text-align: center;">of the Corporation;</p> <ul style="list-style-type: none"> <li>(ix) Right to inspect corporate books and records;</li> <li>(x) Right to information;</li> <li>(xi) Right to dividends; and</li> <li>(xii) Appraisal right.</li> </ul> <p>The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be appraised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.</p> <p>It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.</p> <p>The Board should take 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 should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.</p> <p>Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate to the business of the Corporation. [Article 12 of the Manual of Corporate Governance of Liberty Flour Mills, Inc.]</p>	
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(b) Do minority stockholders have a right to nominate candidates for board of directors?

**YES.**

**K. INVESTORS RELATIONS PROGRAM**

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

The chairman of the board reviews major company announcements before they are released to the public. For internal communication, the company uses email, newsletters, annual report and business meetings. For external communication, the company makes the appropriate disclosures, to the SEC, PSE and if necessary, the media. For Marketing related material, it may be reviewed by the marketing department.

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

	Details
(1) Objectives	To effectively communicate the corporation's performance, plans and strategies to the capital market, as well as develop a long term relationship of trust with stakeholders, using the discipline in finance, communication and marketing and manage the content and flow of company information /disclosures to the financial markets.
(2) Principles	To provide consistent and reliable information that would assist investors in their investment decision.
(3) Modes of Communications	Company disclosures, one-on-one meetings, emails, telephone calls
(4) Investors Relations Officer	None

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

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

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The corporation engages the service of independent investment banks to determine the fairness of transaction price.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

Initiative	Beneficiary
General donations to victims of typhoons	Victims of typhoons

#### M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

	Process	Criteria
<b>Board of Directors</b>	The board may create an internal self-rating system that can measure the performance of the board and management in accordance with the criteria provided for in the Corporate Governance Manual. The creation and implementation of such self-rating system, including its salient features, may be disclosed in the company's annual report.  The committees may also assess	The criteria laid down in the company's by-laws, manual on corporate governance and pertinent laws, rules and regulations.

	the performance of the individual directors	
Board Committees	Same as above	Same
Individual Directors	Same as above	Same
CEO/President	Same as above	Same

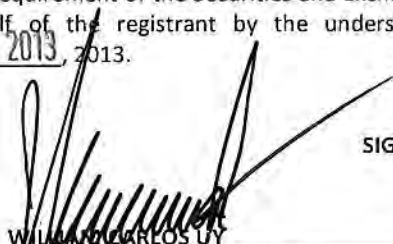
**N. INTERNAL BREACHES AND SANCTIONS**

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

Violations	Sanctions
Violation of the manual on corporate governance	First Violation: reprimand
	Second violation: suspension
	Third violation: the maximum penalty of removal from office (all violations and sanctions are also subject to referral to the company's code of conduct and discipline)

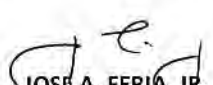
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 18 NOV 2013, 2013.

**SIGNATURES**

  
 WILLIAM CARLOS UY  
 Chairman of the Board and CEO

  
 JESUS S. JALANDONI  
 Compliance Officer

  
 DAVID NG  
 Independent Director

  
 JOSE A. FERIA, JR.  
 Independent Director

SUBSCRIBED AND SWORN to before me this 18 NOV 2013 day of \_\_\_\_\_ 20\_\_\_\_, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME/NO.  
 William Carlos Uy  
 Jesus S. Jalandoni  
 Jose A. Feria Jr.  
 David Ng

DATE OF ISSUE  
 T/N NO. 123-252-691  
 T/N NO. 108-130-694  
 SSS # 63-2481443-5

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 NOTARY PUBLIC  
 T/N NO. 119-867-317

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 Series of 2013.

  
 BERNARD O. ARAD  
 Notary Public of Makati City  
 Appointment No. M-93  
 Until December 31, 2014  
 URP No. LRN-095-12-08-10-Quezon City  
 PTR No. 3671388-1.2.2013-Makati City  
 Roll No. 57306  
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