



LIBERTY FLOUR MILLS, INC.

2016
ANNUAL CORPORATE
GOVERNANCE 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)	Elected when (Annual /Special Meeting)	No. of years served as director
William Carlos Uy	ED	N/A	William Carlos Uy	1986	25 May 2016	Annual Meeting	30
Jesus S. Jalandoni, Jr.	NED	N/A	William Carlos Uy	24 October 2007	25 May 2016	Annual Meeting	9
Benjamin Jalandoni	NED	N/A	William Carlos Uy	1993	25 May 2016	Annual Meeting	23
Daniel R. Maramba	NED	N/A	William Carlos Uy	22 December 2010	25 May 2016	Annual Meeting	6
Sandra Judy Uy	ED	N/A	William Carlos Uy	27 May 2009	25 May 2016	Annual Meeting	7
Vicente S. Vargas	ED	N/A	William Carlos Uy	1992	25 May 2016	Annual Meeting	24
Jose Ma. S. Lopez	ED	N/A	William Carlos Uy	1986	25 May 2016	Annual Meeting	30
John Carlos Uy	NED	N/A	William Carlos Uy	1986	25 May 2016	Annual Meeting	30
David Ng	ID	N/A	William Carlos Uy (no relationship with the nominator)	May 1990	25 May 2016	Annual Meeting	19
William Ang	NED	N/A	William Carlos Uy	1986	25 May 2016	Annual Meeting	30
Jose A. Feria, Jr.	ID	N/A	William Carlos Uy (no relationship)	31 August 2011	25 May 2016	Annual Meeting	5

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			with the nominator)				
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- (h) The Board of Directors (the “Board”) and Management of Liberty Flour Mills, Inc. (the “Management”) adopts a corporate governance policy which espouses the principles and best practices contained in its Manual on Corporate Governance (“Manual”). The Board commits at all times to fully disclose all material information in its transactions and dealings. It shall comply with the filing of all required information under the Securities Regulation Code (“SRC”) through the appropriate Exchange mechanisms for listed companies and submissions to the Securities and Exchange Commission (SEC) for the interest of its stockholders and other stakeholders.

SUMMARY OF THE CORPORATE GOVERNANCE POLICY

The philosophy of Liberty Flour Mills, Inc. (“LFM/Corporation”) is that a corporation should put primacy on its people. LFM believes that the collective efforts of the people, their vision, and their sense of value create opportunities, activities and motivation which shapes LFM.

LFM 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. LFM 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.

SUMMARY OF THE TREATMENT OF SHAREHOLDERS/MINORITY SHAREHOLDERS

The Board respects the rights of the stockholders as provided 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 the corporate books and records;
- (iv) Right to information;
- (v) Right to dividends; and
- (vi) Appraisal right

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

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

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

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

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 and 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 be publicly and timely disclosed. Such information should include among others, earning results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All such information should be disclosed through the appropriate Exchange mechanisms and submissions to the SEC.

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 the corporate objectives and the best interest of the stockholders.

The Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including to effectively monitor Management's performance.

- (c) The Board reviews and approves the vision and mission of LFM when the need arises.
- (d) Directorship in Other Companies
- (i) Directorship in the Company's Group¹

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 Mā. S. Lopez	Valero Land Corporation	NED
	LFM Land Corporation	NED
	LFM Properties Corp.	NED
Benjamin 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 R. Maramba	N/A	N/A

¹ The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Sandra Judy Uy	N/A	N/A
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(ii) Directorship in Other Listed Companies

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

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 R. 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 CEO
Jose Ma. S. Lopez	Bacsay Management Corporation	Director President Stockholder of 145,848 common shares (12.15%) of the outstanding capital stock
Benjamin S. Jalandoni	Valueline Realty Development Corporation	Director Chairman Stockholder of 22 common shares (0.00%) of the outstanding capital stock
	Alegria Development Corporation	Stockholder of 37,345 common shares (3.76%) of the outstanding capital stock
	Jayjay Realty Corporation	Director

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	Ganet Management Corporation	<p>President Stockholder of 60,253 common shares (20.08%) of the outstanding capital stock</p> <p>Director Stockholder of 58,040 common shares (23.00%) of the outstanding capital stock</p>
John Carlos Uy	Parity Values, Inc.	<p>Director General Manager</p>
Vicente Vargas	L & J Agricultural, Inc.	<p>Director Vice-President Stockholder of 500 common shares (12.5%) of the outstanding capital stock</p>
William Ang	Parity Values, Inc.	<p>Director 1st Vice-President Treasurer</p>
Jose A. Feria, Jr.	N/A	N/A
Jesus S. Jalandoni, Jr.	<p>Valueline Realty Development Corporation</p> <p>Alegria Development Corporation</p> <p>Jayjay Realty Corporation</p> <p>Ganet Management Corporation</p>	<p>Director President Stockholder of 27 common shares (0.00%) of the outstanding capital stock</p> <p>Director President Stockholder of 52,345 common shares (5.27%) of the outstanding capital stock</p> <p>Director Vice-President Stockholder of 50,745 common shares (16.91%) of the outstanding capital stock</p> <p>Director Stockholder of 2 common shares (0.00%) of the outstanding capital stock</p>
David Ng	N/A	N/A
Daniel R. Maramba	Sebring Management Corporation	<p>Director Chairman President Stockholder of 929,925 common shares (97.90%) of the outstanding capital stock</p>

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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:

LFM does not proscribe limitations on the number of board seats that each director may simultaneously hold in both listed and ordinary corporations. Currently, none of the directors hold more than five (5) board seats in other publicly listed companies. In addition, the directors hold different positions in other ordinary (not listed) corporations, with the understanding and emphasis that each director must religiously and efficiently perform their respective duties and responsibilities as members of the LFM board.

Moreover, every director is expected to observe certain norms of conduct to ensure that his personal interest does not conflict with the interests of the Corporation, to enable him to devote the time and attention necessary to properly and effectively perform his duties and responsibilities. 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
Executive Director	<p>The LFM directors are given the discretion and preference to accept other positions in other listed and/or ordinary companies, provided that acceptance of the positions in other companies, listed or ordinary companies, will not undermine or compromise their performance as a director of LFM.</p> <p>A director should observe the following norms of conduct:</p> <ul style="list-style-type: none"> • Conduct fair transactions business with the Corporation, and ensure that his personal interest does not conflict with the interests of the Corporation. • Devote the time and attention necessary to properly and effectively perform his duties and responsibilities. 	<p>LFM does not set a limitation as to the number of seats its directors may hold in other companies.</p> <p>However, 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</p>
Non-Executive Director		
CEO		

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		be compromised.
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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	12,561,556	N/A	8.37
Jose Ma. S. Lopez	735,647	N/A	0.49
Benjamin S. Jalandoni	2	N/A	0.00
John Carlos Uy	374	N/A	0.00
Vicente Vargas	472,353	N/A	0.31
William Ang	374	N/A	0.00
Jose A. Feria, Jr.	36	N/A	0.00
Jesus S. Jalandoni, Jr.	118,034	N/A	0.07
David Ng	377	N/A	0.00
Daniel R. Maramba	433,596	N/A	0.28
Sandra Judy Uy	2	N/A	0.00
TOTAL	14,322,351	N/A	9.52%

7) 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	

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<ol style="list-style-type: none"> To preside over the Board and stockholders' meetings; Ensure that the meetings of the Board and stockholders are held 	<p>Same as Chairman, and in addition thereto:</p> <ol style="list-style-type: none"> Exercise general supervision over

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	<p>in accordance with the by-laws or as the Chair may deem necessary;</p> <ol style="list-style-type: none"> 3. Supervise the preparation of the agenda of the meetings in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and directors; 4. Maintain qualitative and timely lines of communication and information between the Board and Management; and 5. Exercise powers incidental to his office and perform duties, as assigned by the Board. 	<p>all other officers of the corporation;</p> <ol style="list-style-type: none"> 2. Execute on behalf of the corporation contracts and agreements which 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; 3. 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; 4. Submit an annual report of the operations of the corporation to the Board as such other times as the latter may request, and an annual report thereof to the stockholders at the annual meetings; 5. Exercise such other powers and perform such other duties as the Board may from time to time fix or delegate.
Accountabilities	Please refer to immediately above	Please refer to immediately above
Deliverables	<ol style="list-style-type: none"> 1. Agenda for the Board and stockholders' meetings; 2. Statement of Management's Responsibility for the audited financial statements; 3. SEC Forms 17-A, 17-Q; and 4. Other reports required by law 	Same as Chairman, and same as above

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

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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 Corporation, 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.

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

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.

There is no formal policy regarding the diversity of experience and background of the directors. However, the incumbent directors are engaged and have experience in various fields such as but not limited to capital markets, finance, investment, law and others.

Although the Corporation 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, LFM has non-executive directors that are well experienced in the sector or industry which allows them to give objective views, perspectives, and decisions on matters raised to the board.

In addition thereto, the Manual provides that in addition to the qualifications for membership in the Board provided in the Corporation Code, SRC 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.

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

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

	Executive	Non-Executive	Independent Director
Role	<p>A director's office is one of trust and confidence. A director should act in the 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.</i></p>		

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	<p>The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of the director, he should fully and immediately disclose it and should not participate in the decision-making process. A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest shall be considered material if the director's personal or business interests is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expense of the Corporation.</p> <p><i>Devote the time and attention necessary to properly and effectively perform his duties and responsibilities.</i></p> <p>A director should devote sufficient time to familiarize himself with the Corporation's business. He should be constantly aware of and knowledgeable with the Corporation's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials and, if called for, ask questions or seek explanations.</p> <p><i>Act judiciously.</i></p> <p>Before deciding on any matter brought before the Board, a director should carefully evaluate the issues, and if necessary, make inquiries and request clarification.</p> <p><i>Exercise Independent Judgment.</i></p> <p>A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position. Corollary, he should support plans and ideas that he thinks are beneficial to the Corporation.</p> <p><i>Have a 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.</i></p> <p>A director should also keep abreast with industry developments and business trends in order to promote the Corporation's competitiveness.</p> <p><i>Observe Confidentiality.</i></p> <p>A director should keep secure and confidential all non-public material information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.</p>
Accountabilities	Please see immediately above
Deliverables	<ol style="list-style-type: none"> 1. Produce good products at reasonable costs to the public. Although there may be times that the Board may not be able to meet the demands of these values as successfully as they would want to; nevertheless, these values are constantly there for their guidance. 2. They set standards of performance. They do not expect employees to do better than themselves. The executive, non-executive and independent directors set an example in the industry through their efficiency. They

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	<p>strive to do more than what they expect from their subordinates.</p> <p>3. Exercise the powers of the Board as stated in the by-laws and the Manual for Corporate Governance.</p> <p>4. Execute the resolutions and approve the minutes of the meetings of the Board.</p>
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Provide the company's definition of "independence" and describe the company's compliance to the definition.

LFM adopts the definition of "independence" as provided under Rule 38 of the SRC and its Implementing Rules and Regulations, which provides that:

An independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company and includes, among others, any person who:

- a) Is not a director of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;
- b) Does not own more than two percent (2%) of the shares of the covered company and/or related companies or any of its substantial shareholders;
- c) Is not related to any director, officer, or substantial shareholder of the covered company, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- d) Is not acting as a nominee, representative of any director or substantial stockholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;
- e) Has not been employed in any executive capacity by the covered company, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;
- f) Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or
- g) Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.

LFM ensures that its independent directors are qualified as defined under the SRC, and do not fall under any of the disqualifications.

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.

LFM complies with the rules and regulations in relation to independent directors as provided under the relevant laws such as the Corporation Code, SRC, and the applicable memorandum circulars and issuances of the SEC. LFM adheres to SEC Memorandum Circular No. 9, Series of 2011 which provides that independent directors can serve for five (5) years. After completion of the 5-year service period, an independent director shall be ineligible for election in the same company unless the independent director has undergone a "cooling off" period of two (2) years, provided that during such period, the independent director concerned has not engaged in any activity that under the existing rules disqualifies a person from being elected as an independent director in the same company. After the "cooling off" period, a re-elected independent director in the same company can serve for another 5 consecutive years. After serving as an independent director for ten (10) years, the independent director shall be perpetually barred from being elected as such in the same

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company, without prejudice to being elected as an independent director in other companies outside the business conglomerate.

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	N/A	N/A
N/A	N/A	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
a. Selection/Appointment		
(i) Executive Directors	<p>The directors will be elected annually by the stockholders entitled to vote, and will 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.</p> <p>Any vacancy in the Board may be filled by a majority vote of the remaining directors if still constituting a quorum and the directors so chosen shall serve for the unexpired term.</p> <p>The Manual 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>In addition to the qualifications for membership in the Board provided for in the Corporation Code, SRC, and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:</p> <p>(i) College education or equivalent academic degree;</p> <p>(ii) Practical understanding of the business of the corporation;</p> <p>(iii) Membership in good standing in the relevant industry, business or professional organization; and</p> <p>(iv) Previous business experience.</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		
b. Re-appointment		
(i) Executive Directors		In addition to the qualifications

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<p>(ii) Non-Executive Directors</p>	<p>In accordance with the Corporation Code, any vacancy occurring in the board of directors or trustees other than by removal by the stockholders or members or by expiration of term, may be filled by the vote of at least a majority of the remaining directors or trustees, if still constituting a quorum; otherwise, said vacancies must be filled by the stockholders in a regular or special meeting called for that purpose. A director or trustee so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.</p> <p>Any directorship or trusteeship to be filled by reason of an increase in the number of directors or trustees shall be filled only by an election at a regular or at a special meeting of stockholders or members duly called for the purpose, or in the same meeting authorizing the increase of directors or trustees if so stated in the notice of the meeting.</p> <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.</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>for membership in the Board provided for in the Corporation Code, SRC, and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:</p> <ul style="list-style-type: none"> (i) College education or equivalent academic degree; (ii) Practical understanding of the business of the corporation; (iii) Membership in good standing in the relevant industry, business or professional organization; and (iv) Previous business experience.
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<p>(iii) Independent Directors</p>	<p>In accordance with SEC Memorandum Circular No. 9, Series of 2011 and SEC Memorandum Circular No. 9, Series of 2009:</p> <p>A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a 2-year "cooling off" period. Moreover, persons appointed as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Executive Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities shall be subjected to a 1-year "cooling off period" to his qualification as an independent director.</p> <p>The by-laws provide that directors shall be elected annually by the stockholders entitled to vote 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>In addition to the qualifications for membership in the Board provided for in the Corporation Code, SRC, and other relevant laws, the Board may provide for additional qualifications which include, among others, the following:</p> <ul style="list-style-type: none"> (i) College education or equivalent academic degree; (ii) Practical understanding of the business of the corporation; (iii) Membership in good standing in the relevant industry, business or professional organization; and previous business experience.
<p>c. Permanent Disqualification</p>		
<p>(i) Executive Directors</p>		<p>The following shall be grounds for the permanent disqualification of a director:</p> <ul style="list-style-type: none"> (i) Any person convicted by a final judgment or order of competent
<p>(ii) Non-Executive Directors</p>		
<p>(iii) Independent Directors</p>		

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		<p>judicial or administrative body of a crime that (a) involves the purchase or sale of securities, as defined in the SRC; (b) arises out of 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 an of them;</p> <p>(ii) Any person who, by reason of misconduct, after hearing, is permanently enjoined by final judgment or order of the Commission or any court of administrative body of competent jurisdiction form: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant commodity trading advisor, or floor broker; (b) acting as a 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. The</p>
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		<p>disqualifications shall also apply if such person is currently the subject of an order of the Commission or any court or administrative bod denying, revoking or suspending any registration, license, or permit issued to him under the Corporation Code, SRC 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 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) Any person convicted by the final judgment or order by a court of 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) Any persons who has been adjudged by a final judgment or order of the Commission, court or competent administrative body to have willfully violated, or willfully aided,</p>
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		<p>abetted, counseled, induced or produced violation of any provision of the Corporation Code, SRC, or any other law administered by the Commission or BSP, or any of its rule, regulation or order;</p> <p>(v) Any person wither elected as an independent director who becomes an officer, employee or consultant of the same corporation;</p> <p>(vi) Any person judicially declared as insolvent;</p> <p>(vii) Any person found guilty by final judgment or order of foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconducts enumerated in subparagraphs (i) to (v) above;</p> <p>(viii) Conviction by final judgment or 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 election or appointment.</p>
d. Temporary Disqualification		
(i) Executive Directors	N/A	
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	If the office of the Chairman of the Board, any Vice-President, Treasurer, Secretary or director becomes vacant by death, resignation or otherwise, the remaining directors, if still	
(ii) Non-Executive Directors		
(iii) Independent Directors		

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	constituting a quorum by a majority vote may choose a successor or successors who shall hold office for the unexpired term.	
	In case of 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, provide a majority of the Board concur therein and such delegation is not covered by any express provision by the by-laws.	
f. Re-instatement		
(i) Executive Directors	Please see above	Please see above
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	N/A	N/A
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting held on 25 May 2016.

Name of Director	Votes Received
William Carlos Uy	More than a majority vote
Jose Ma. S. Lopez	
Sandra Judy Uy	
Conchita Uy Kuo	
Vicente S. Vargas	

6) Orientation and Education Program

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

New directors are oriented through a thorough discussion and meeting on the Corporation. Basic and vital documents such as but not limited to the Annual Report, disclosures to SEC and PSE, Manual on Corporate Governance of LFM and other documents are given as part of the orientation kit, and the new director may request for additional documents which will be made available. The meeting is conducted to give an avenue for the new director to clarify

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matters regarding the company after said director has been given access and copies of the relevant documents.

(b) State any in-house training and external courses attended by Directors and Senior Management² 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	N/A
N/A	N/A	N/A	N/A
N/A	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 management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	LFM directors, senior management and employees are mandated to avoid positioning themselves in situations in which they may be a possible conflict of interest. All are reminded that their judgment and discretion should not be influenced by considerations of personal gain and benefit.		
(b) Conduct of Business and Fair Dealings	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 LFM.		
(c) Receipt of gifts from third parties	LFM directors, senior management and employees are directed towards a liberal and progressive entrepreneurship. LFM espouses the reconciliation of the profit motive with services to the nation and humanity in general. LFM integrates its goals with the collective aspirations of the individual members of society so that both may fill the needs of the country and contribute progress of the human race. Thus, in all its dealings- it acts with fairness and integrity.		
(d) Compliance with Laws & Regulations	LFM allows the acceptance of gifts only during the Christmas Season. There is no restriction on the value of gifts received.		
(e) Respect for Trade Secrets/Use of Non-public Information	LFM complies with the relevant and applicable laws and regulations, as imposed by the various governmental bodies, agencies and instrumentalities. Any deficiencies are immediately rectified. Moreover, the LFM directors, senior management and employees are directed to steer away from any and all overt and covert acts of bribery.		
	LFM directors, senior management and employees who possess trade secrets and/or material non-public information are properly informed not to release any and all information with respect thereto to ensure that all non-public information will not be		

² Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

	<p>released to the public until the appropriate disclosures have been made to the SEC and PSE, in accordance with the SRC.</p> <p>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.</p>
(f) Use of Company Funds, Assets and Information	<p>LFM directors, senior management and employees are directed to utilize LFM resources and assets with honesty and integrity. LFM ensures that the funds, assets and information of LFM are maximized and used for the furtherance of the Corporation.</p> <p>Employees are required to safeguard the Corporation's resources and assets with honesty and integrity. They must ensure that these assets are efficiently, effectively and responsibly utilized.</p>
(g) Employment & Labor Laws & Policies	<p>The LFM Human Resource Department complies with the Philippine labor laws.</p> <p>The relationship between the directors and the corporation is not covered by the Philippine labor laws.</p>
(h) Disciplinary action	<p>Disciplinary actions and sanctions are put into place and implemented when violations have been committed.</p> <p>Grounds for the removal or disqualification of directors are dealt with by the Board.</p> <p>The violation of company rules and regulations may result in the appropriate disciplinary action. If necessary, a violation may result in legal action against the employee, or otherwise, its referral to the appropriate government authorities.</p>
(i) Whistle Blower	<p>An employee may discuss or disclose any concern regarding a potential violation with the appropriate company officer.</p> <p>LFM do not tolerate retaliation (in any form) which increases or is an attempt to increase the suffering of work against an LFM director, senior management and employee who reports honestly and in good faith.</p>
(j) Conflict Resolution	<p>Any conflict concerning one or more directors is dealt with by the Board.</p> <p>Any conflict concerning Senior Management is dealt with by the appropriate officer, or if necessary, by the Board.</p> <p>Conflict resolution for employees is dealt with by management through the organizational and procedural structures that are in place.</p>

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

The Code of Ethics and Conduct has been disseminated to LFM directors, senior management and employees.

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

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

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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	<p>N/A</p> <p>LFM is not a subsidiary of another company. LFM applies the principle of "arm's length rule" in transactions entered into.</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	<p>Except in cases of fraud, and provided that the contact is fair and reasonable under the circumstances, a contract between two or more corporations having interlocking directors shall not be invalidated on that ground alone. Provided, that if the interest of the interlocking director in one corporation is substantial and his interest in the other corporation or corporation is merely nominal, he shall be subject to the following:</p> <p>A contract of the corporation with one or more of its directors or trustees or officers is voidable, at the option of such corporation, unless all the following conditions are present:</p> <ol style="list-style-type: none"> 1. That the presence of such director or trustee in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting; 2. That the vote of such director or trustee was not necessary for the approval of the contract; 3. That the contract is fair and reasonable under the circumstances; and 4. That in case of an officer, the contract has been previously authorized by the board of directors. <p>Where any of the first two conditions set forth in the preceding paragraph is absent, in the case of a contract with a director or trustee, such contract may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock or of at least two-thirds (2/3) of the members in a meeting called for the purpose: Provided, that full disclosure of the adverse interest of the directors or trustees involved is made at such meeting. Provided, however, that the contract is fair and reasonable under the circumstances.</p> <p>Stockholders exceeding twenty percent (20%) of the outstanding capital stock shall be considered substantial for</p>

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	purposes of interlocking directors.
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(b) Conflict of Interest

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

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

	Details of Conflict of Interest (Actual or Probable)
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.

	Directors/Officers/Significant Shareholders
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	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,³ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Parity Values, Inc. (40.58%)	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 st Vice President and Treasurer of Parity Values, Inc.
William Carlos Uy (8.37%)	Family	William Carlos Uy and John

³ Family relationship up to the fourth civil degree either by consanguinity or affinity.

		Carlos Uy are brothers. Sandra Judy Uy is the daughter of William Carlos Uy, and the niece of John Carlos Uy.
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(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Same as 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
Corporation & Stockholders	N/A
Corporation & Third Parties	Alternative Dispute Resolution Systems are carried into effect when the same are included or provided in the contracts LFM enters into. In the event that there will be cases filed in court or other governmental bodies, LFM will submit itself to court-ordered mediation and judicial dispute resolution processes to exhaust the possible means to amicably settle any controversy which may arise. LFM has adopted alternative dispute resolution provisions in some of its standard contracts. As much as possible, the Corporation aims to settle any dispute or possible dispute amicably.
Corporation & Regulatory Authorities	N/A

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

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Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	William Carlos Uy	25 May 2016	14	14	100
Member	Jose Ma. S. Lopez	25 May 2016	14	14	100
Member	Benjamin S. Jalandoni	25 May 2016	14	14	100
Member	John Carlos Uy	25 May 2016	14	14	100
Member	Vicente Vargas	25 May 2016	14	14	100
Independent	William Ang	25 May 2016	14	14	100
Independent	Jose A. Feria, Jr.	25 May 2016	14	14	100
Member	Jesus S. Jalandoni, Jr.	25 May 2016	14	10	71
Member	David Ng	25 May 2016	14	13	93
Member	Daniel R. Maramba	25 May 2016	14	14	100
Member	Sandra Judy Uy	25 May 2016	14	14	100

- 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 of the Board. 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 papers⁴ 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.

⁴ 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.

- (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.?

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

- (a) 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;
- (b) Be loyal to the mission, vision and objectives of the Corporation;
- (c) Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- (d) Have appropriate administrative and interpersonal skills;
- (e) 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;
- (f) Have a working knowledge of the operations of the Corporation;
- (g) Inform the member 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 approval;
- (h) Attend all Board meetings, except when justifiable cause, such as illness, death in the immediate family and serious accidents, prevent him from doing so
- (i) Ensure that all the Board procedures, rules and regulations are strictly followed by the members; and
- (j) If he is also the Compliance Officer, perform all the duties and responsibilities of said officer.

- (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	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.
Audit	
Nomination	
Remuneration	
Others (specify)	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. The information may include background or explanation on

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	<p>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.</p>
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6) External Advice

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

Procedures	Details
Any director may propose or request to secure external advise from consultants, with notice to the Board.	In fact, 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.

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
N/A		

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	2,228,923	7,411,363
(2) Variable remuneration	0	0
(3) Per diem allowance	65,000	195,000
(4) Bonus	2,933,084	9,333,171
(5) Stock Options and other financial instruments	0	0
(6) Others (specify)	0	0

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

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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	Monthly salary	Should be sufficient to be 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.	Each director shall receive a reasonable per diem for his attendance at meetings. Bonuses are computed based on each individual's performance.
Non-Executive Directors	Per diem allowances		

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.	25 May 2016

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	5,974,728	0	0
(b) Variable Remuneration	0	0	0
(c) Per diem Allowance	195,000	390,000	130,000
(d) Bonuses	8,265,333	7,987,974	1,594,821
(e) Stock Options and/or other financial instruments	0	0	0
(f) Others (Specify)	0	0	0
Total	14,435,061	8,377,974	1,724,821

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	0	0	0
2) Credit granted	0	0	0
3) Pension Plan/s Contributions	0	0	0
(d) Pension Plans, Obligations incurred	0	0	0
(e) Life Insurance Premium	0	0	0
(f) Hospitalization Plan	0	0	0
(g) Car Plan	0	0	0
(h) Others (Specify)	0	0	0
Total	0	0	0

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
N/A				

(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:

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Name of Officer/Position	Total Remuneration
Conchita Uy Kuo (VP Purchasing)	4,507,282
Rafael Laforteza (AVP Engineering)	
Cirilo Gasilla (AVP Milling)	

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
	ED	NED	ID				
Executive				The Executive Committee may exercise during the intervals of the Board meetings, all the powers and functions vested in the Board, as well as act on specific matters as may be delegated to it by the Board, except with respect to: (a) approval of any action for which the shareholders' approval is also required; (b) filing of vacancies in the Board; (c) amendment or repeal of any amendment of any resolution of the Board which by its express terms is not so amendable or repealable.			
Audit				The Audit Committee shall consist of three (3) directors, who shall preferably have accounting and finance backgrounds, one of which shall be an independent director and another with audit experience. The Chair of the Audit Committee should be an independent director. The committee shall have the following functions: (a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring compliance with applicable laws, rules and regulations; (b) Provide oversight over Management 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 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 conformity with the objectives of the corporation. The plan shall include the audit scope resources and budget necessary to implement it;			

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				<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 the engagement and removal;</p> <p>(g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal 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: any change(s) in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and regulatory requirements;</p> <p>(j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>(k) Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to 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 an 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; and</p> <p>(m) 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				A Nomination Committee, which may be composed of at least three (3) members and one of whom should be an independent director, 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 or replacement of directors.
Remuneration				A Compensation or Remuneration Committee, which may be composed of at least three (3) members and one of who, should be an independent director, 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,

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				strategy and the business environment in which it operates.
Others (specify)	N/A			

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	William Carlos Uy	25 May 2016	1	1	100	1 year
Member (ED)	Jose Ma. S. Lopez	25 May 2016	1	1	100	1 year
Member (NED)	John Carlos Uy	25 May 2016	1	1	100	1 year
Member (ED)	Sandra Judy Uy	25 May 2016	1	1	100	1 year
Member (NED)	William Ang	25 May 2016	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)	25 May 2016	1	1	100	1 year
Member (ED)	Benjamin Jalandoni	25 May 2016	1	1	100	1 year
Member (ID)	Jose A. Feria, Jr.	25 May 2016	1	1	100	1 year

Disclose the profile or qualifications of the Audit Committee members.

Please see above profile and qualification

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 of 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;

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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)	25 May 2016	1	1	100	1 year
Member (ED)	Vicente Vargas	25 May 2016	1	1	100	1 year
Member (NED)	John Carlos Uy	25 May 2016	1	1	100	1 year

(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	25 May 2016	1	1	100	1 year
Member (ED)	Jose Ma. S. Lopez	25 May 2016	1	1	100	1 year
Member (NED)	William Ang	25 May 2016	1	1	100	1 year

(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:

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

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 Corporation's compliance with the Rules of Corporate Governance.	No significant issues that would put the Corporation at major risk
Nomination	Recommendation and screening of nominees as directors and assessment of current directors.	No significant issues that would put the Corporation at major risk
Remuneration	Review and evaluation of current remuneration policies and procedures.	No significant issues that would put the Corporation 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	Qualification of nominees
Remuneration	Screening and evaluation of employees for promotion	Qualification of candidates
Others (specify)	None	None

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

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

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- (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 the risk management systems employed by the Corporation.

- (c) Period covered by the review;

The period covered is from 25 May 2016 to 31 March 2017. 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 Corporation's activities.

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

N/A

7) 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:

Risk Exposure	Risk Management Policy	Objective
<p><u>Credit Risk</u> Credit risk represents the loss that the Corporation will incur if the counterparty failed to perform under its contractual obligations.</p>	<p>LFM has established controls and procedures in its credit policy to determine and monitor the credit worthiness of customers and counter parties. LFM is operating under a sound credit-granting process over its distributors. Credit monitoring involves a weekly check over collections on a benchmark.</p>	<p>LFM's exposure to the impairment arising from said risks should be managed and should not rise to a significant level.</p>
<p><u>Equity Price Risk</u> Equity Price Risk is the risk that the value of a financial instrument will fluctuate because of changed in market prices.</p>	<p>LFM's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.</p>	
<p><u>Interest Rate Risk</u> Interest Rate Risk is the risk that the value of future cash flows of a financial instrument will</p>	<p>LFM manages its liquidity profile to be able to finance and to meet its obligations and capital expenditures and service its maturing debts. In addition, LFM</p>	

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fluctuate because of the changed in market interest rates.	conducts an evaluation regarding its projected and actual cash flow and makes the necessary assessment of the conditions of the financial markets to take opportunities to pursue fund raising initiatives.	
<u>Liquidity Risk</u> Liquidity Risk is the risk that the Corporation will be unable to pay its obligations when they fall due under normal and stress circumstances.	LFM manages its liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that the sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors LFM's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.	

(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
Please see above		

(c) Minority Shareholders

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

Risk to Minority Shareholders
<p>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 Corporation'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 its shares in certain instances.</p> <p>The controlling shareholders voting power may restrict or allow preferences in their favor, however the Board in its commitment to practice good governance shall always respect the rights of the shareholders as provided for in the Corporation Code.</p> <p>Thus, the Board should be transparent and fair in the conduct of the annual and special stockholder's 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>

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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 the meetings and the items for discussion in the agenda to the business of the Corporation.

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 receivable. 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 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.

(b) Group

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

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Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
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Interest Rate Risk	The group's long-term loan 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.

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
Audit Committee	The committee is tasked with the overall effectiveness of risk management risk systems, and both the internal and external audit functions of LFM.	The committee shall have the following functions: (a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring compliance with applicable laws, rules and regulations; (b) Provide oversight over Management 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

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		<p>activities;</p> <p>(c) Perform oversight functions over the Corporation's internal and external auditors who are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>(d) Review the annual audit plan to ensure conformity with the objectives of the Corporation. The plan shall include the audit scope resources and budget necessary to implement it;</p> <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 the engagement and removal;</p> <p>(g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal 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, bi-annual and annual financial statements before their submission to the Board, with particular focus</p>
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		<p>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, and compliance with tax, legal and regulatory requirements; (j) Coordinate, monitor and facilitate compliance with laws, rules and regulations; (k) Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to 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 an 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; (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; and 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>
Board of Directors	<p>The board is ultimately responsible for the oversight of the group's risk management processes.</p> <p>The Board is tasked with the establishment and</p>	<p>Final approval and review of reports, findings and recommendations of the audit committee.</p>

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	implementation of the risk management system and annually reviews the effectiveness of the system.	
Compliance Officer	The Compliance Officer tasked in complying with the principles of good corporate governance.	<p>The Compliance Officer shall perform the following duties:</p> <p>(a) Monitor compliance of LFM with the LFM Manual on Corporate Governance, rules and regulations of regulatory agencies and if any violations are found, report the matter to the Board and recommend imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violations;</p> <p>(b) Appear before the Commission when summoned in relation to compliance with the LFM Manual on Corporate Governance; and</p> <p>(c) Issue a certification every 30th January of the year on the extent of LFM's compliance with the LFM Manual on Corporate Governance for the completed year and if there are any deviations, explain the reason of such deviation.</p>

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.

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

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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 25 May 2016 to 31 March 2017.

- (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	Maria Luisa L. Quizon	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 established the scope of the report which

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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
N/A	

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

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

Progress Against Plans	On-going
Issues ⁵	No significant issues that would put the Corporation at major risk.
Findings ⁶	No significant findings that would put the Corporation at major risk.
Examination Trends	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."

Policies & Procedures	Implementation
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.	Continuous and on-going

⁵ "Issues" are compliance matters that arise from adopting different interpretations.

⁶ "Findings" are those with concrete basis under the company's policies and rules.

(B) 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):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>With respect to the internal auditor, he has direct access to management and the corporate secretary and is not interfered with by the Board or corporate officers.</p> <p>With respect to the external auditor, the Corporation engages an independent external auditor.</p>	<p>The Corporation engages independent financial analysts.</p>	<p>The Corporation engages independent investment banks.</p>	<p>The Corporation engages independent ratings agencies.</p>

(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 Corporation's full compliance with the SEC Code of Corporate Governance, and that all directors, officers and employees of the company have been given prior instruction on the respective duties as mandated by the Code and the internal mechanisms are in place to ensure that compliance.

H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	<p>LFM is committed to sustain business excellence and consistently improve shareholder value by providing products that delight and secure the loyalty of customers, and a working environment that reflects quality as a way of life.</p> <p>LFM has customer relations policy and procedures to ensure that customer's</p>	<p>Customers are informed of the company's customer relations contacts to ensure that their welfare and questions are addressed.</p>

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	welfare are protected and questions addressed.	
Supplier/contractor selection practice	LFM 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	LFM complies with the government mandated policies on the environment.	The Corporation complies with the required environment management systems and energy management.
Community interaction	<p>LFM is committed to the economic development of the country. LFM is committed to use Filipino talent and labor to the fullest extent possible to help solve the unemployment problem. LFM believes in patronizing the local industries as much as possible.</p> <p>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 the society so that both may fill the needs of the country and contribute to the progress of the human race.</p>	Please see the portion on corporate social initiatives.
Anti-corruption programs and procedures?	LFM has established policies that cover business conduct, conflict of interest, offenses subject to disciplinary action and disqualification, etc.	New employees are oriented regarding policies and procedures related to business conduct. All employees are given periodic reminders.
Safeguarding creditors' rights	LFM 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 LFM'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?

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LFM abides by the safety, health and welfare standards and policies 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.

LFM 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 the VRP Medical Center also for the benefit of 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 programmes for its employees. Show the data.

The Corporation does not have any fixed training program for its employees, but regularly sends its employees for training abroad, 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 Corporation has policies on merit increases, salary adjustments and recognition for high performing employees who demonstrate excellence in the work place. Recognition programs are maximized to promote and reinforce behavior that are consistent with the values and desired culture of the company.

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

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 Corporation 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.	60,878,835	40.58%	Carlos Uy Corporation which owns 33% of Parity Values, Inc.
William Carlos Uy	12,561,556	8.37%	William Carlos Uy
PCD Nominee Corp.	26,130,514	17.42%	Philippine Depository & Trust Corp. which owns 99.9% of PCD Nominee

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			Corp.
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Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
William Carlos Uy	12,561,556	0	8.37%
Jose Ma. S. Lopez	735,647	0	0.49%
Benjamin S. Jalandoni	2	0	0.00%
John Carlos Uy	374	0	0.00%
Vicente Vargas	472,353	0	0.31%
William Ang	374	0	0.00%
Jose Feria, Jr.	36	0	0.00%
Jesus S. Jalandoni, Jr.	118,034	0	0.07%
David Ng	377	0	0.00%
Daniel R. Maramba	433,596	0	0.28%
Sandra Judy Uy	2	0	0.00%
TOTAL	14,322,351	0	9.52%

2) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	YES
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

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

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Sycip Gorres Velayo & Co	PhP560,000.00	N/A

4) Medium of Communication

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

Website, electronic mail, regular mail, fax, and/or personal delivery.

5) Date of release of audited financial report: 22 March 2017

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	YES
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 the Notes to the Consolidated Financial Statements for the year ended 31 December 2016.			

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?

J. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

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

Quorum Required	Majority of the subscribed capital stock entitled to vote
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(b) System Used to Approve Corporate Acts

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Explain the system used to approve corporate acts.

System Used	In accordance with the Corporation Code
Description	Corporate acts are approved by motion of stockholders, 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.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
1. Right to vote on all matters that requires their consent or approval;	There are no stockholders' right concerning Annual/Special Stockholders Meeting that differ from those laid down in the Corporation Code.
2. Pre-emptive right to all stock issuances of the Corporation;	
3. Right to inspect corporate books and records;	
4. Right to information;	
5. Right to dividends; and	
6. Appraisal rights	

Dividends

Kind	Declaration Date	Record Date	Payment Date
Cash	24 February 2016	11 March 2016	21 March 2016

(d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
Stockholders are given the opportunity to ask questions during the stockholders' meeting	<p>Stockholders are provided with disclosures, announcements and reports filed with the SEC and PSE through public records, press statements, and the company's website.</p> <p>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.</p>

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2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the Corporation'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 Corporation complies with the provisions of the Corporation Code and the SRC on the above matters.

3. Does the company observe a minimum of 21 business days for giving out 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: 26 April 2016 (Annual)
- b. Date of the Annual/Special Stockholders' Meeting: 25 May 2016 (Annual)

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	None
Election of the External Auditor	More than a majority	N/A	None

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:

LIBERTY FLOUR MILLS, INC.

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	William Carlos Uy	25 May 2016	By <i>viva voce</i> or show of hands	54.26%	30.45 %	84.71%
	Jose Ma. S. Lopez					
	Benjamin S. Jalandoni					
	John Carlos Uy					
	Vicente Vargas					
	William Ang					
	Jose A. Feria, Jr.					
	Jesus S. Jalandoni, Jr.					
	David Ng					
	Daniel R. Maramba					
Sandra Judy Uy						

(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

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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.

Policies	Procedure
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

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	437
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	26 April 2016
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	26 April 2016
State whether CD format or hard copies were distributed	CD
If yes, indicate whether requesting stockholders were provided hard copies	Yes

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

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

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
<p>The Board shall respect the right of the stockholders as provided for in the Corporation Code namely;</p> <ul style="list-style-type: none"> (vii) Right to vote on all matters that requires their consent or approval; (viii) Pre-emptive right to all stock issuances of the Corporation; (ix) Right to inspect corporate books and records; (x) Right to information; (xi) Right to dividends; and (xii) Appraisal right. <p>The Board should be transparent and fair in the conduct of the annual and special stockholders' meeting 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</p>	<p>Implemented</p>

<p>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.</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 Corporation uses email, newsletter, annual report and business meetings. For external communication, the Corporation 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-in-one meetings, emails, telephone calls

LIBERTY FLOUR MILLS, INC.

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(4) Investors Relations Officer	
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- 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 evaluated the validity 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 the Corporation 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
Board	<p>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 Corporation's annual report.</p> <p>The committees may also assess the performance of the individual directors</p>	<p>The criteria laid down in the Corporation's by-laws, manual on corporate governance and pertinent laws, rules and regulations.</p>
Board Committees	Same as above	
Individual Directors		
CEO/President		

N. INTERNAL BREACHES AND SANCTIONS

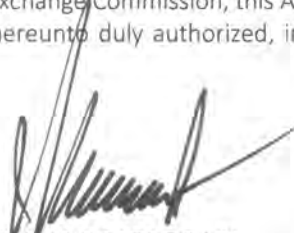
LIBERTY FLOUR MILLS, INC.

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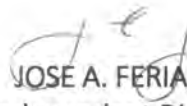
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Violation of the Manual	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 LFM'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 City on March, 2017.



WILLIAM CARLOS UY
Chairman of the Board/ Chief Executive Officer



JOSE A. FERIA, JR.
Independent Director

DAVID NG

Independent Director



JOSE S. JALANDONI
Compliance Officer

SUBSCRIBED AND SWORN to before me this 31 MAR 2017 day of March 2017, affiant(s) exhibiting to me their _____, as follows:

NAME/NO.	COMPETENT EVIDENCE OF IDENTITY
William Carlos Uy	TIN 123-282-691
Jose A. Feria, Jr.	TIN 107-793-449
David Ng	TIN 119-867-317
Jose S. Jalandoni	TIN 134-278-629



JAN MARI D. ADAN
Notary Public for Makati City
Appointment No. M-487
Until December 31, 2017
IBP No. 1055402-1.3.17-PPLM
PTR No. 5909541-1.3.2017-Makati City
Roll No. 62636
8th Floor DPC Place
2322 Chino Roces Avenue, Makati City

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