

LIBERTY FLOUR MILLS, INC.

Liberty 

CODE OF CORPORATE GOVERNANCE

BOARD'S GOVERNANCE RESPONSIBILITIES

Board's Governance Responsibilities

The LFM Board of Directors (the "*Board*") and Management (the "*Management*") adopts a corporate governance policy that espouses the principles and best practices contained in this Code of Corporate Governance ("*Code*"). 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 SEC and the PSE for the interest of its stockholders, other stakeholders and the general public.

SUMMARY OF THE CORPORATE GOVERNANCE POLICY

The philosophy of LFM is that the Company 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.

BOARD OF DIRECTORS AND OFFICERS

DIRECTORS

The Board is composed of individuals who have working knowledge in the industry, among other businesses. The directors are highly encouraged to be engaged and have experience in various fields such as but not limited to food, capital markets, finance, investment, law and others.

Although the Company does not have a written policy that specifically states that at least one non-executive director has experience in the sector or industry the company belongs to, LFM ensures that there are 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 Code provides that in addition to the qualifications for membership in the Board provided in the Company 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 Company;
- (iii) Membership in good standing in relevant industry, business or professional organizations; and
- (iv) Previous business experience.

CHAIRMAN OF THE BOARD

The Chairman of the Board is elected by the Board from their member and shall have the following duties and responsibilities:

- a) Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environment, key governance concerns, and contentious issues that will significantly affect operations;
- b) Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- c) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
- d) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by the Management;
- e) Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f) Makes sure that performance of the board is evaluated at least once a year and discussed and/or followed up on.

PRESIDENT

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

- a) Exercise general supervision overall operations and transactions of the Company;
- b) Execute on behalf of the Company contracts and agreements which the Company may enter into; but this power shall be exclusive and the Board may at convenience or any other reason designate any other official or agent to sign contracts and agreements for and in behalf of the Company;
- c) Unless other officers are so designated by the Board to sign, indorse and deliver alone or in conjunction with other officials whom the Board may designate, all checks, drafts, bills of exchange, promissory notes and orders of payments of sums of money in the name of and on behalf of the Company;
- d) Submit an annual report of the operations of the Company to the Board and as such other times as the later may request, and an annual report to the stockholders at the annual meetings; and
- e) Exercise such other powers and perform such other functions as the Board may from time to time fix or delegate.

CORPORATE SECRETARY

The Corporate Secretary should be a Filipino citizen and a resident of the Philippines. The Corporate Secretary shall have the following duties and responsibilities:

- (a) Assist the Board and the Board committees in the conduct of their meetings, including preparing an annual schedule of the Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- (b) Safe keep and preserve the integrity of the minutes of the meetings of the board and its committees, as well as other official records of the Company;
- (c) Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advise the Board and the Chairman on all relevant issues as they arise;
- (d) Works fairly and objectively with the Board, Management and stockholders and contributes to the flow of information between the Board and the Management, the Board and its committees, and the Board, shareholders and its stakeholders;
- (e) Advise on the establishment of Board committees and their terms of reference;
- (f) Inform the Board, in accordance with the by-laws of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require approval;
- (g) Attend all Board meetings, except when justifiable cause, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- (h) Perform required administrative functions;
- (i) Oversee the drafting of the by-laws and ensures that they conform with regulatory requirements; and
- (j) Perform such other duties and responsibilities as may be provided by the SEC.

INDEPENDENT DIRECTOR

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 a relative of a director, officer or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- d) Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
- e) Is not a securities broker-dealer of listed companies and registered issuers of securities;
- f) Does not engage or has not engaged, whether by himself or with other persons or through a firm which he is a partner, director, substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment; and
- g) Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders

TREASURER

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

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

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

COMPLIANCE OFFICER

The Compliance Officer holds the same rank as a Senior Vice-President. The Compliance Officer is expected to be a member and active in the Company's Management team and in charge of compliance function. The Compliance Officer has the following duties and responsibilities:

- a) Ensures proper onboarding of new directors including but not limited to the orientation of the Company's business charter, articles of incorporation and by-laws hand in hand with the Corporate Secretary;
- b) Monitors and reviews, evaluates and ensures the compliance by the Company, its officers and the Board with the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- c) Reports the matter to the Board if violations are found and recommends the imposition of appropriate disciplinary actions;
- d) Ensures the integrity and accuracy of all the documentary submissions to regulators;
- e) Appears before the SEC when summoned in relation to compliance with this Code;
- f) Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- g) Identifies possible areas of compliance issues and works towards the resolution of the same;
- h) Ensures the attendance of the Board and key officers to relevant trainings; and
- i) Performs such other duties and responsibilities as may be provided by the SEC.

BOARD RESPONSIBILITIES

It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with the corporate objectives and the best interest of the stockholders. Accordingly, the Board are given specific duties:

	Chairman	Chief Executive Officer
Role	<ol style="list-style-type: none"> 1. To preside over the Board and stockholders' meetings; 2. Ensure that the meetings of the Board and stockholders are held in accordance with the by-laws or as the Chair may deem necessary; 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 	<ol style="list-style-type: none"> 1. Exercise general supervision over all other officers of the Company; 2. Execute on behalf of the Company contracts and agreements which said Company may enter into; but this power shall be exclusive and the Board may for convenience or any other reason designate any other official or agent to sign contracts and agreements on behalf of the Company; 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

	<p>5. Exercise powers incidental to his office and perform duties, as assigned by the Board.</p>	<p>payments of sums of money in the name and on behalf of the Company;</p> <p>4. Submit an annual report of the operations of the Company to the Board as such other times as the latter may request, and an annual report thereof to the stockholders at the annual meetings;</p> <p>5. Exercise such other powers and perform such other duties as the Board may from time to time fix or delegate;</p> <p>6. Determine the company's strategic direction and formulates and implements its strategic plan on the direction of the business;</p> <p>7. Communicate and implement the company's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;</p> <p>8. Has good working knowledge of the company's industry and market and keeps up to date with its core business purpose;</p> <p>9. Direct, evaluate and guide the work of key officers of the company;</p> <p>10. Manage the company's resources prudently and ensures a proper balance of the same;</p> <p>11. Provide the Board with timely information and interfaces between the Board and employees;</p> <p>12. Build the company culture and motivates the employees of the company'</p>
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		13. Serve as the link between internal operations and external stakeholders.
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 above

In the event the Chairman and CEO are of the same person, the Board will appoint a lead independent director who will have the following duties and responsibilities:

- (a) Serves as the intermediary between the Chairman and the other directors when necessary;
- (b) Convenes and chairs the meetings of non-executive directors; and
- (c) Contributes to the performance evaluation of the Chairman, as required.

	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 Company in a manner characterized by transparency, accountability, and fairness. He should also exercise leadership, prudence, and integrity in directing the Company towards sustained progress.</p> <p>A director should observe the following norms of conduct:</p> <p><i>Conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interests of the Company.</i></p> <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 Company, or stands to acquire or gain financial advantage at the expense of the Company.</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 Company's business. He should be constantly aware of and knowledgeable with the Company'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 Company.</p> <p><i>Have a working knowledge of the statutory and regulatory requirements that affect the Company, including its articles of incorporation of the Company and by-laws, the rules and regulations of the SEC and/or PSE 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 Company'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>
<p>Deliverables</p>	<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 strive to do more than what they expect from their subordinates. 3. Exercise the powers of the Board as stated in the by-laws and the Code. 4. Execute the resolutions and approve the minutes of the meetings of the Board. 5. Periodically review the corporate strategy, major plans of action, risk management policies and procedures, annual budgets, progress of business plans.

	6. Monitor the implementation and corporate performance including but not limited to the overseeing of major capital expenditures, acquisitions and divestures.
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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 Company, or for any other reason that the Board may deem sufficient, the Board may delegate the powers and duties of such officers to any other officer or to any director for the time being, provided a majority of the Board concur therein and such delegation is not covered by any express provision of the By-laws.

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.

Procedure	Process Adopted	Criteria
Selection/Appointment		
(i) Executive Directors	The directors will be elected annually by the stockholders entitled to vote, and will serve until the election and qualification of their successors. All officers shall be elected to their offices by a majority vote of the Board. 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. The Code provides that the nomination committee reviews and evaluates the qualifications of all persons nominated to the	In addition to the qualifications for membership in the Board provided for in the Company 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 Company; (iii) Membership in good standing in the relevant industry, business or professional organization; and (iv) Previous business experience.
(ii) Non-Executive Directors		
(iii) Independent Directors		

	Board and other appointments that require Board approval.	
Vacancies		
(i) Executive Directors	<p>In accordance with the Company 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 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 Code provides that the nomination committee reviews and evaluates the qualifications of all persons nominated to the</p>	<p>In addition to the qualifications for membership in the Board provided for in the Company 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 Company; (iii) Membership in good standing in the relevant industry, business or professional organization; and (iv) Previous business experience.
(ii) Non-Executive Directors		

	Board and other appointments that require Board approval.	
(iii) Independent Directors	<p>The independent directors may serve for a maximum cumulative term of nine (9) years. After service of 9 consecutive years, said director may be continue to qualify for nomination and election as non-independent director. In the event that the company wants to retain the independent director as such after service of 9 years, the Board will provide meritorious justifications and seek the shareholders approval during the annual shareholder's 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>The Code 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 Company 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 Company; (iii) Membership in good standing in the relevant industry, business or professional organization; and previous business experience.
Permanent Disqualification		
(i) Executive Directors	<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 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 	
(ii) Non-Executive Directors		
(iii) Independent Directors		

commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

(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 from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant commodity trading advisor, or floor broker; (b) acting as 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 disqualifications shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license, or permit issued to him under the Company 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;

(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;

(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, abetted, counseled, induced or produced violation of any provision of the Company Code, SRC, or any other law administered by the Commission or BSP, or any of its rule, regulation or order;

(v) Any person wither elected as an independent director who becomes an officer, employee or consultant of the same Company;

(vi) Any person judicially declared as insolvent;

	<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 Company Code committed within five (5) years prior to the date of his election or appointment.</p>
Temporary Disqualification	
(i) Executive Directors	<p>The following shall be grounds for the permanent disqualification of a director:</p> <p>(i) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any 12-month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification should apply for purposes of the succeeding election;</p> <p>(ii) Dismissal or termination for cause as director if any publicly listed company, public company, registered issuer of securities and holder of a secondary license from the SEC. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;</p> <p>(iii) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and</p> <p>(iv) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p>
(ii) Non-Executive Directors	
(iii) Independent Directors	
(ii) Non-Executive Directors	
(iii) Independent Directors	
Removal	
(i) Executive Directors	

(ii) Non-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 constituting a quorum by a majority vote may choose a successor or successors who shall hold office for the unexpired term.
(iii) Independent Directors	
(ii) Non-Executive Directors	
(iii) Independent Directors	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.

DIRECTORSHIP IN OTHER COMPANIES

LFM does not proscribe limitations on the number of board seats that each director may simultaneously hold in both listed and ordinary Companies. In addition, the directors hold different positions in other ordinary (not listed) Companies, 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 Company, to enable him to devote the time and attention necessary to properly and effectively perform his duties and responsibilities.

	Guidelines	Maximum Number of Directorships in Other Companies
Executive Director	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.	LFM does not set a limitation as to the number of seats its directors may hold in other companies. However, the optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.
Non-Executive Director		
CEO		

	<p>A director should observe the following norms of conduct:</p> <ul style="list-style-type: none"> • Conduct fair transactions business with the Company, and ensure that his personal interest does not conflict with the interests of the Company. • Devote the time and attention necessary to properly and effectively perform his duties and responsibilities. 	<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 Company's. In any case, the capacity of directors to diligently and efficiently perform their duties and responsibilities to the boards they serve should not be compromised.</p>
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APPRAISAL AND EVALUATION

	Process	Criteria
Board	<p>The Board has an internal self-rating system that can measure the performance of the Board and Management. 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		

ORIENTATION AND EDUCATION PROGRAM

New directors are oriented through a thorough discussion and meeting on the Company. Basic and vital documents such as but not limited to the Annual Report, disclosures to SEC and PSE, Code 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 matters regarding the company after said director has been given access and copies of the relevant documents.

All the directors are mandated to attend at least three (3) hours of seminars related to compliance of and running the operations of publicly listed companies including but not limited to disclosures and good governance.

BACKGROUND OF THE BOARD

Following is a brief description of the respective backgrounds of the Company's directors and senior management, who have all been nominated for another term, their respective ages and involvement in other businesses for the past five (5) years:

William Carlos Uy. Male. He serves as the President and director of the Company. He is presently the President of Parity Values, Inc. and UPCC Securities Corporation. He also serves as the Vice Chairman of UPCC Holdings Corporation and a director of CCC Insurance Corporation.

John Carlos Uy. Male. He is a director of the Company. He also serves as a director and the general manager of Parity Values, Inc., one of the stockholders of the Company.

Vicente Vargas. Male. He is a director and Corporate Secretary of the Company. He is also the President of JM Brenton Industries, Inc., JM Processing & Freezing Services, Inc., JM Cold Storage, Inc., JM Kool Corporation. He also serves as the Executive Vice-President and Chief Operating Officer of JM & Company, Inc. and Treasurer of McJola, Inc. and L&J Agricultural, Inc.

William L. Ang. Male. He is a director of the Company. Mr. Ang holds the position of First Vice-President and Treasurer of Parity Values, Inc. He is also a stockholder and Treasurer of Trade Demands Corporation.

Jose Ma. S. Lopez. Male. He is a director and Senior Vice President and Treasurer of the Company. Likewise, He is a director in other corporations including: Agchem Manufacturing Corporation, Liberty Commodities Corporation and CCC Insurance Corporation. He is also presently the Senior Vice-President for Lopez Sugar Corporation.

David Ng. Male. He is a director of the Company. He is presently holding the President of Merlin Mining Corporation, Sandalfold Estate Development Corporation and Lucky Jade Corporation. He is also the General Manager of New RTC International Co., Inc., Administrator of Logic Pacific, Inc. and Partner of CNP Architects.

Jose S. Jalandoni, Jr. Male. He is the Chief Executive Officer of Personal Computer Specialists, Inc. He also serves as Chairman of Kanlaon Farms, Inc., Unicom Ingredients, La Funeraria Paz, Inc., Nissan Car Lease Phils. Inc. He serves as corporate secretary for Kanlaon Development Corporation, and Jay Jay Realty Corporation.

Sandra Uy. Female. She serves as a director and Senior Vice-President of the Company.

Jose A. Feria, Jr. Male. Atty. Feria is the Chairman of Cyan Management Corporation, Directories Philippines Corporation, MG Exeo Network, Inc., Premiere Travel and Tours, Inc., Padre Burgos Realty, Inc. Spencer Food Corporation, Vinnet Belvoir Corporation. He also serves as director of EYP.PH Corporation, Assessment Analytics, Inc. Macawiwili Gold Mining & Development Corporation and Corporate Secretary of Aero Asia, Inc. and Air Asia, Inc., Gawad Kalinga Foundation, Inc. and PinoyMe Foundation, Inc.

Code of Business Conduct and Ethics

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p>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.</p> <p>It is the duty and responsibility of a director to conduct fair business transactions with the Company, and ensure that his personal interest does not conflict with the interest of LFM.</p>		
(b) Conduct of Business and Fair Dealings	<p>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.</p>		
(c) Receipt of gifts from third parties	<p>LFM allows the acceptance of gifts only during the Christmas Season. There is no restriction on the value of gifts received.</p>		
(d) Compliance with Laws & Regulations	<p>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.</p>		
(e) Respect for Trade Secrets/Use of Non-public Information	<p>LFM directors, senior management and employees who possess trade secrets and/or material non-public information are properly informed not to release any and all information with respect thereto to ensure that all non-public information will not be released to the public until the appropriate disclosures have been made to the SEC and PSE, in accordance with the SRC.</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 Company.</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 Company.</p>		

	Employees are required to safeguard the Company's resources and assets with honesty and integrity. They must ensure that these assets are efficiently, effectively and responsibly utilized.
(g) Employment & Labor Laws & Policies	The LFM Human Resource Department complies with the Philippine labor laws. The relationship between the directors and the Company is not covered by the Philippine labor laws.
(h) Disciplinary action	Disciplinary actions and sanctions are put into place and implemented when violations have been committed. Grounds for the removal or disqualification of directors are dealt with by the Board. The violation of company rules and regulations may result in the appropriate disciplinary action. If necessary, a violation may result in legal action against the employee, or otherwise, its referral to the appropriate government authorities.
(i) Whistle Blower	An employee may discuss or disclose any concern regarding a potential violation with the appropriate company officer. LFM does 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 honesty and in good faith.
(j) Conflict Resolution	Any conflict concerning one or more directors is dealt with by the Board. Any conflict concerning Senior Management is dealt with by the appropriate officer, or if necessary, by the Board. Conflict resolution for employees is dealt with by management through the organizational and procedural structures including a grievance machinery.

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

POLICIES AND PROCEDURES FOR RELATED PARTY TRANSACTIONS

Related party relationship exists when the party has the ability to control directly or indirectly through one or more intermediaries or exercise significant influence over the other party making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<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 Companies having interlocking directors shall not be invalidated on that ground alone. Provided, that if the interest of the interlocking director in one Company is substantial and his interest in the other Company or Company is merely nominal, he shall be subject to the following:</p> <p>A contract of the Company with one or more of its directors or trustees or officers is voidable, at the option of such Company, 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>

	Stockholders exceeding twenty percent (20%) of the outstanding capital stock shall be considered substantial for purposes of interlocking directors.
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CONFLICT OF INTEREST

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	

The Board are required to disclose matters (if applicable) relating to any family,¹ commercial, contractual or business nature that exists between the holders of significant equity (5% or more).

ALTERNATIVE DISPUTE RESOLUTION

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

Board Meetings and Attendance

Board meetings are scheduled every last Wednesday of the month, as stated in the by-laws. The quorum for the regular transaction of business as stated in the by-laws is majority of the Board. However, the Company is compliant whenever the vote required is set by the Company Code or other laws, rules and regulations at a number higher than majority.

The Board is given access to information at least three (3) days before the scheduled meeting every last Wednesday of the month. In addition, each individual Board member have independent access to Management and the Corporate Secretary.

¹ Family relationship up to the fourth civil degree either by consanguinity or affinity.

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

EXTERNAL ADVICE

Procedures	Details
	<p>Any director may propose or request to secure external advise from consultants, with notice to the Board.</p>
	<p>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 Company's expense.</p>

Remuneration Matters

	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		

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

The key considerations in determining the appropriate remuneration of the the Board members and officers include the following: (i) the level of remuneration is commensurate to the responsibilities of the role; (ii) no director or officer should participate in deciding on his remuneration; and (iii) the remuneration pay out schedules should be sensitive to the risk outcome.

Board Committees

1) Number of Members, Functions and Responsibilities

Committee	Functions Key Responsibilities Power
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;

	<p>(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.</p>
<p>Audit</p>	<p>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:</p> <p>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;</p> <p>(a) Recommends the approval of the internal auditor and the audit plan as well as oversees the same;</p> <p>(b) Monitors and evaluated the adequacy and effectiveness of the company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (i) safeguard the company's resources and ensure their effective utilization; (ii) prevent occurrence of fraud and other irregularities; (iii) protect the accuracy and reliability of the company's financial data; and (iv) ensure compliance with applicable laws and regulations;</p> <p>(c) Oversees the internal audit department and recommends the appointment and/or grounds for approval of an internal audit head or chief audit executive. The Audit Committee will also approve the terms and conditions for outsourcing internal audit services;</p> <p>(d) Established and identifies the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities;</p> <p>(e) Reviews and monitors the Management's responsiveness to the internal auditor's findings and recommendations;</p> <p>(f) Prior to the commencement of audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of officers;</p> <p>(g) Evaluates and determines the non-audit work, if any, of the external auditor and periodically reviews the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the company's overall consultancy expenses. The committee should 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 company's annual report and annual corporate governance report;</p> <p>(h) Reviews and approves the interim and annual financial statements before the submission to the Board with particular focus on the following matters: (i) any change(s) in accounting policies and practices; (ii) areas where a significant amount of judgment has been exercised; (iii) significant adjustments resulting from audit; (iv) going concern assumptions; (v) compliance with accounting standards; (vi) compliance with tax, legal and regulatory requirements;</p> <p>(i) Reviews the disposition of the recommendations in the external auditor's management letter;</p> <p>(j) Performs oversight functions over the company's internal and external auditors. It ensures the independence of the internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>(k) Coordinates, monitors and facilitates compliance with laws, rules and regulations;</p>

- (l) Recommends to the Board the appointment, re-appointment, removal and fees of the external auditor, duly accredited by the SEC, who undertakes an independent audit of the company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders; and
- (m) In case the company does not have a Risk Oversight Committee and/or Related Part Transaction Committee, performs the function of said committees.

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

1. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
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;
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

The Internal Auditor's duties and responsibilities include the following:

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

	<p>(g) Monitors and evaluates governance processes.</p> <p>The Chief Auditor has the following duties and responsibilities:</p> <p>(a) Periodically reviews the internal audit plan and presents it to senior management and Audit Committee for approval;</p> <p>(b) Establishes a risk-based internal audit plan, including policies and procedures to determine the priorities of the internal audit activity, consistent with the organization's goals;</p> <p>(c) Communicates the internal audit activity's plans, resource requirements and impact of resource limitations as well as significant interim changes to senior management and the Audit Committee for review and approval;</p> <p>(d) Spearheads the performance of the internal audit activities' performance relative to its plan; and</p> <p>(e) Reports periodically to the Audit Committee and gives advise to the senior management and the Board on how to improve internal processes.</p>
<p>Nomination</p>	<p>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.</p> <p>In addition, the Nomination Committee is also tasked with ensuring compliance with and proper observance of corporate governance principles and practices, which includes the following duties and responsibilities:</p> <p>(a) Oversees the implementation of the corporate governance framework and periodically reviews said framework to ensure that it remains appropriate in light of material changes to the company's size, complexity and business strategy, as well as business and regulatory environments;</p> <p>(b) Oversees the periodic performance evaluation of the Board and its committees as well as executive management and conducts an annual self evaluation of its performance;</p> <p>(c) Ensures that the results of the Board evaluation are shared, discussed and that concrete action plans are developed and implemented to address the identified areas for improvement;</p> <p>(d) Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the Board members and senior officers;</p> <p>(e) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;</p> <p>(f) Proposes and plans relevant trainings for the Board;</p> <p>(g) Determines the nomination and election process for the company's Board and has special duty of defining the general profile of the Board members that the company may need and ensuring appropriate knowledge, competencies and expertise that compliment the existing skills of the Board; and</p> <p>(h) Established a formal and transparent procedure to develop a policy for determining the remuneration of the Board members and officers that is consistent with the company's culture and strategy as well as business environment in which it operates.</p>

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 Company's culture, strategy and the business environment in which it operates.
Risk Oversight Committee	<p>A Nomination Committee, which may be composed of at least three (3) members and one of whom should be an independent director, to ensure that there is an effective and integrated risk management process in place, which includes the following duties and responsibilities:</p> <p>(a) Develops a formal risk management plan which contains the: (i) common language or register of risks; (ii) well defined-risk management goals, objectives and oversight; (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks; (iv) designing and implementing risk management strategies; and (v) continuing assessments to improve risk strategies, processes and measures;</p> <p>(b) Oversees the implementation of the risk management plan through said committee. It is tasked to conduct regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned unit or offices are addressing and managing these risks;</p> <p>(c) Evaluates the risk management plan to ensure its continued relevance comprehensiveness and effectiveness. It is tasked to revisit the defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;</p> <p>(d) Advises the Board on its risk appetite level and risk tolerance limits;</p> <p>(e) Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment and when major events occur that are considered to have major impacts on the company;</p> <p>(f) Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are most likely to occur and to impact the performance and stability of the company and its stakeholders;</p> <p>(g) Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the company. This function includes regularly receiving information on risk exposures and risk management activities from Management; and</p> <p>(h) Reports to the Board on a regular basis or as deemed necessary the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.</p>

DISCLOSURE AND TRANSPARENCY

DISCLOSURE DUTIES

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

It is therefore essential that all material information about the Company 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 PSE and submissions to the SEC.

LFM makes the structured and unstructured disclosures through the PSE Edge and makes the appropriate filings with the SEC. Through the PSE Edge, the public is informed and updated of the company's activities.

LFM also releases its Annual Report which disclose the following: key risks, corporate objectives, financial performance indicators, non-financial performance indicators, dividend policy, details of whistle-blowing policy, biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners, training and/or continuing education program attended by each director/commissioner, number of board of directors/commissioners meetings held during the year, attendance details of each director/commissioner in respect of meetings held, and details of remuneration of the CEO and each member of the board of directors/commissioners.

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

Aside from the PSE Edge, information about to company is made available through the website. Also, contact information are likewise posted so that the stockholders and the general public are given access in the event there is a need to communicate with the company.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT SYSTEM

The Overall risk management philosophy of the company is to identify, measure, analyze, monitor and control all forms of risks that would affect the Company. The audit committee periodically reviews the effectiveness of the risk management systems implemented. The directors' criteria for assessing the effectiveness of the risk management system are whether such risk management policies reflect changes in the market conditions and the Company's activities.

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

Risk Exposure	Risk Management Policy	Objective
<p><u>Credit Risk</u></p> <p>Credit risk represents the loss that the Company 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><u>Equity Price Risk</u></p> <p>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>LFM's exposure to the impairment arising from said risks should be managed and should not rise to a significant level.</p>
<p><u>Interest Rate Risk</u></p> <p>Interest Rate Risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of the</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 conducts an evaluation regarding its projected and actual cash flow</p>	

changed in market interest rates.	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 Company 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.	

CONTROL SYSTEM SET UP

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.
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The Audit Committee is in charge of laying down and supervising these control mechanisms:

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.	<p>The committee shall have the following functions:</p> <ul style="list-style-type: none"> (k) 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; (l) Provide oversight over Management activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposure and risk management activities; (m) Perform oversight functions over the Company'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; (n) Review the annual audit plan to ensure conformity with the objectives of the Company.

		<p>The plan shall include the audit scope resources and budget necessary to implement it;</p> <p>(o) 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>(p) 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>(q) Monitor and evaluate the adequacy and effectiveness of the Company's internal system, including financial reporting, control and information technology security;</p> <p>(r) Review the reports submitted by the internal and external auditors;</p> <p>(s) Review the quarterly, bi-annual 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,</p>
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		<p>legal and regulatory requirements;</p> <p>(t) Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>(u) 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 Company'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 Company's annual report;</p> <p>(v) 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>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>

	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 Code 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 Code 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 Code on Corporate Governance for the completed year and if there are any deviations, explain the reason of such deviation.</p>

INTERNAL AUDIT AND CONTROL

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 or risks or business activities, to which the Company is exposed.

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.

The role of the internal audit is to provide an independent, objective assurance and consulting services within the Company designed to add value and improve the operations. The scope includes the examination and evaluation of the Company's risk management controls and process. The internal audit reports functionally to the audit committee, which in turn reports to the Board. The audit committee established the scope of the report which the internal audit must prepare to enable it to properly fulfill its duties and responsibilities. The audit committee also ensures that, in the performance of the work of the internal audit, the internal audit shall be free from interference by outside parties.

The internal audit's progress on plans, significant issues, significant findings and examination trends involve 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; and
6. Conduct of the foregoing procedures on a regular basis.

The mechanism established by the Company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies are as follows:

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 Company engages an independent external auditor.</p>	<p>The Company engages independent financial analysts.</p>	<p>The Company engages independent investment banks.</p>	<p>The Company engages independent ratings agencies.</p>

RELATIONSHIP WITH SHAREHOLDERS

RIGHTS OF STOCKHOLDERS

Stockholders have the right to participate effectively participate and vote in matters relating to the Company including but not limited to the proceedings during the Annual/Special Stockholders' Meetings in accordance with the Company Code. Stockholders are provided with disclosures, announcements and reports filed with the SEC and PSE through public records, press statements, and the company's website. Stockholders are informed in accordance with the SRC and PSE rules. 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. The corporate acts are approved by motion of stockholders, duly seconded, and passed if there are no objections.

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

In addition, the stockholders are accorded the following rights:

1. to vote on all matters that require their consent or approval;
2. pre-emptive right to all stock issuances of the Company;
3. to propose the holding of meetings and to include agenda items;
4. to inspect corporate books and records;
5. to information;
6. to dividends;
7. appraisal rights;
8. amendments to articles of incorporation and by-laws of the company;
9. authorization on the increase in authorized capital stock; and
10. extraordinary transactions including but not limited to the transfer of all or substantially all assets that in effect result in the sale of the company, among others

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.

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

SUMMARY OF THE TREATMENT OF SHAREHOLDERS/MINORITY SHAREHOLDERS

The Board respects the rights of the stockholders as provided in the Company 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 Company;
- (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 Company. The stockholders are encouraged to personally attend the meetings. If they cannot attend, they are apprised ahead of time of their right to appoint a proxy through the notice which is sent in accordance with the by-laws of the Company. 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 Company.

ROLE OF STAKEHOLDERS

	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 welfare are protected and questions addressed.</p>	Customers are informed of the company's customer relations contacts to ensure that their welfare and questions are 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 Company 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.

EMPLOYEE PARTICIPATION

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.

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.

The Company 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.

The Company 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.

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

INTERNAL BREACHES AND SANCTIONS

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