

# COVER SHEET

S.E.C. Registration Number

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Company Name

[illegible]

Principal Office (No./ Street/Barangay/ City / Town / Province)

[illegible]

### Contact Person

MA. ELISA G. LEDESMA

Company's Telephone Number/s

88898677

1	2	3	1
Month		Day	
Of Fiscal Year			

## I-ACGR

FORM TYPE

05      29  
Month      Day  
Of Annual Meeting

Secondary License (if Applicable)

Secondary License (if Applicable)

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Department Requiring  
this Document

## Amended Articles

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Number/Section

Total Amount of Borrowings

### To be Accomplished by SEC Personnel Concerned

File Number							

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Document I.D.

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## STAMPS

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May 30, 2024

**RACHEL ESTHER J. GUMTANG-REMALANTE**

*Director, Corporate Governance and Finance Department*  
Securities and Exchange Commission  
7907 Makati Avenue  
Salcedo Village, Bel-Air  
Makati City, 1209

Dear Director Gumtang-Remalante,

In compliance with SEC Memorandum Circular No. 15 Series of 2017, Liberty Flour Mills is pleased to submit its Integrated Corporate Governance Report for the year 2023.

We hope that you find everything in order



**MARIA ELISA G. LEDESMA**  
*Compliance Officer*





**SEC FORM – I-ACGR**

**INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT**

1. For the fiscal year ended **December 31, 2023**

2. SEC Identification Number **14782**

3. BIR Tax Identification No. **128-846-000**

4. Exact name of issuer as specified in its charter: **Liberty Flour Mills, Inc.**

5. **Makati City, Philippines**

Province, Country or other jurisdiction of  
incorporation or organization

6.  (SEC Use Only)

Industry Classification Code

7. **Liberty Building, 835 A. Arnaiz Avenue, Makati  
City**

Address of principal office

**1200**

Postal Code

8. **(+632) 8925011**

Issuer's telephone number, including area code

9. **N/A**

Former name, former address, and former fiscal year, if changed since last report.



INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<b>The Board's Governance Responsibilities</b>			
<b>Principle 1:</b> The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
<b>Recommendation 1.1</b>			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	COMPLIANT	LFM's policies on experience, competence, and qualifications of the Board of Directors may be seen in pages 2 to 14 of the Revised Code of Corporate Governance (the "RCG").  In addition to the qualifications set by law and regulations for directors, the Nominations Committee ensures that the criteria in <i>Board Diversity and Qualifications</i> are property embodied by each nominee to directorship positions.  The guiding principles in the selection and appointment of directors is as follows:  1. Whether the nominee possess the knowledge, skills, expertise, experience and independence of mind to perform their responsibilities as a member of the Board of Directors;  2. Whether the nominee possess a record and reputation for integrity and good repute;	
2. Board has an appropriate mix of competence and expertise.	COMPLIANT		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	COMPLIANT		



		<p>3. Whether the nominee will have sufficient time to carry out their responsibilities; and</p> <p>4. Whether they possess all the qualifications or any of the disqualifications to be a member of the Board.</p> <p>Furthermore, the policy on Board diversity states that the Nominations Committee should consider representation of all genders, age, educational backgrounds, and expertise – with appointment based on merit, probity, sedulousness, integrity, and honesty (RCG, page 3-4).</p> <p>Please refer to the Definitive Information Statement of the Company for the specific background of each director.</p> <p>The Definitive Information Statement of the Company is available through the following link:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p> <p>Please refer to pages 7-8 of the Definitive Information Statement. This portion</p>	
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		contains the experience and affiliations of the Directors.	
<b>Recommendation 1.2</b>			
1. Board is composed of a majority of non-executive directors.	<b>COMPLIANT</b>	<p>Please refer to the Board's Governance Responsibilities portion of the attached Code of Corporate Governance.</p> <p>Out of the eleven (11) directors of the company, only three (3) form part of the management team.</p> <p>The directors that form part of the Management Team are the following:</p> <ol style="list-style-type: none"> <li>1.Sandra Judy Uy - President;</li> <li>2.Jose Ma. S. Lopez – Senior Vice President; and</li> <li>3.Vicente S. Vargas – Corporate Secretary.</li> </ol> <p>Please refer to the following link for a list of the Corporation's Board of Directors as well as its Management Officers:</p> <p><a href="https://edge.pse.com.ph/companyPage/directors_and_management_list.do?cmpy_id=227">https://edge.pse.com.ph/companyPage/directors_and_management_list.do?cmpy_id=227</a></p>	
<b>Recommendation 1.3</b>			



<p>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</p>	<p><b>COMPLIANT</b></p>	<p>In the RCG, LFM requires the Onboarding of Directors. This pertains to director education on LFM's heritage, mission, vision, values, core competencies, and other related matters (RCG, page 6-7).</p> <p>For existing and current directors there is an annual and continuing training for all directors of the company. This is aimed at ensuring that throughout a Director's tenure they are well appraised of any and all developments that relate to LFM, or matters that they would need to know in their capacity as Directors, or members of a particular committee (RCG, page 7).</p> <p>To aid in this function, the following are implemented by LFM:</p> <p>1.Chairman of the Board is also responsible in ensuring the proper orientation for first-time directors and continuing training opportunities for all directors (RCG, page 10).</p> <p>2.The Compliance Officer ensure the attendance of the Board Members and Key Officers to relevant trainings (RCG, page 12).</p> <p>3.The Nominations Committee is tasked with recommending the education and training programs for directors (RCG, page 21)</p>	
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<p>2. Company has an orientation program for first time directors.</p>	<p><b>COMPLIANT</b></p>	<p>The RCG provides the following (RCG, Page 6-7):</p> <p><i>“LFM has an onboarding program for first-time directors. At this onboarding program, a new director is acquainted to LFM’s heritage; its mission, vision, and values; goals and aspirations; and the core competencies that are at the heart of the Company.</i></p> <p><i>A new director will also be appraised of his duties and responsibilities, as well as an introduction and discussion of the Commission’s mandated topics on corporate governance, an overview and discussion of LFM’s charter documents, and its code of Business Conduct and Ethics. Furthermore, at this onboarding program, the new director will be introduced to the key management and staff of LFM. The new director may also ask any all questions or clarify matters that he deems necessary, and in furtherance of such, request for documents to complete and complement his understanding of LFM’s business operations.”</i></p>	
<p>3. Company has relevant annual continuing training for all directors.</p>	<p><b>COMPLIANT</b></p>	<p>For existing and current directors there is an annual and continuing training for all directors of the company. The RGC States (RCG, page 7):</p>	<p>For the calendar year 2023:</p> <p>Jose S. Jalandoni, David Ng, Jose Ma. S. Lopez, William L. Ang, and Lourdes Elisa J. Chan attended Anti-Money Laundering Act</p>



		<p><i>“There will be an annual and continuing training for all directors of the company. This is aimed at ensuring that throughout a Director’s tenure they are well appraised of any and all developments that relate to LFM or matters that they would need to know in their capacity as Directors, or members of a particular committee.</i></p> <p><i>Such orientation may be done by LFM, or a third-party provider. In all cases, such trainings shall pertain to developments of the business, regulatory environments, and emerging risks that the company faces – including trainings on audit, internal controls, risk detection and management, sustainability, and strategy.”</i></p>	<p>Compliance in the Age of the Digital World provided by the Institute of Corporate Directors on October 17, 2023.</p> <p>Sandra Judy Uy, Daniel R. Maramba, Jose A. Feria Jr., and John Carlos Uy attended Strategic Thinking for Board of Directors and Leaders provided by the Center for Global Best Practices held on November 17, 2023.</p>
<b>Recommendation 1.4</b>			
1. Board has a policy on board diversity.	<b>COMPLIANT</b>	<p>Board diversity is of utmost importance to LFM, since having Directors with various backgrounds facilitates holistic discussions on matters brought to the attention of the Board.</p> <p>Under the RCG, LFM has adopted a concrete policy on board diversity. The RCG states (page 3-4):</p> <p><i>“LFM is committed to composing a Board of Directors that are diverse as to gender, age, ethnicity, culture, skills, competence</i></p>	



		<p><i>and knowledge. The purpose of such commitment is to remove groupthink and provide for a counterbalance against ingrained biases to ensure that optimal decision making is achieved.</i></p> <p><i>To achieve its diversity aspirations the Board and the Nominations Committee shall consider the following:</i></p> <ol style="list-style-type: none"> <li><i>1. That there is representation of all genders in the Board of Directors as well as the committees, if practicable;</i></li> <li><i>2. That the Board should be composed of persons of different ages;</i></li> <li><i>3. The Board should be composed of directors with various educational backgrounds;</i></li> <li><i>4. The nominees and directors should all be from various expertise and backgrounds, but such backgrounds should be of a nature that the director can provide valuable input or relevant alternative perspectives;</i></li> <li><i>5. Ensure that that board is composed of persons who possess the proper balance of skills, expertise, and knowledge, that align with the strategic goals of LFM;</i></li> </ol>	
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		<p>6. <i>At all times the prime consideration for appointment should be merit, probity, sedulousness, integrity, and honesty. Appointment should not be based on affinity, relationship, or not merely for the sake of having a diverse board."</i></p> <p>Furthermore, the Board is composed of persons of different genders as well as educational and professional backgrounds.</p>	
<b>Optional: Recommendation 1.4</b>			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	<b>NON-COMPLIANT</b>	<p>The Company does not have specific disclosures on measurable objectives relating to board diversity and the progress on achieving its objectives. However, the Company does have a policy for board diversity which may be found on pages 3-4 of the RCG.</p>	<p>The Company believes that Company diversity is not hampered nor impeded by the sole fact that the Company does not have a set policy and reporting framework.</p> <p>Furthermore, there is ample diversity in the board of directors, as provided by the description and background of directors stated in LFM's information statement. A copy of the information statement is available through the following link:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p>
<b>Recommendation 1.5</b>			
1. Board is assisted by a Corporate Secretary.	<b>COMPLIANT</b>		



2. Corporate Secretary is a separate individual from the Compliance Officer.	<b>COMPLIANT</b>	Under the RCG, the board ensures that it is assisted by a Corporate Secretary, who is preferably not a member of the Board and is separate from the Compliance Officer.	The Corporate Secretary is Vicente S. Vargas; while the Compliance Officer is Maria Elisa G. Ledesma.
3. Corporate Secretary is not a member of the Board of Directors.	<b>NON-COMPLIANT</b>	Furthermore, the Corporate Secretary is primarily responsible to the corporation and its shareholders, and not to the President, Chairman, or Board (RCG, page 10).	<p>The Corporate Secretary is a member of the Board. However, the Corporate Secretary is still able to maintain the duty of impartiality. Furthermore, the company believes that the functions and tasks of a Director and Corporate Secretary are not inherently inconsistent. Neither will the fact of serving as both a director and corporate secretary impact performance, integrity, probity, and one's ability to think and contribute to discussions.</p> <p>As an added measure the Company also elects an assistant corporate secretary that is not a member of the Board of Directors.</p>
4. Corporate Secretary attends training/s on corporate governance.	<b>NON-COMPLIANT</b>	The Corporate Secretary is mandated to attend seminars on Corporate Governance annually.	For 2023, the Corporate Secretary was not able to attend a training seminar given that the seminar dates did not align with the schedule of Mr. Vicente S. Vargas.
<b>Optional: Recommendation 1.5</b>			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	<b>COMPLIANT</b>	LFM believes that it is for the best interest of the Company if the Board acts on a fully and well-informed basis. Consequently, timely dissemination of the materials are made before the meetings. In particular, the Corporation ensures that the materials for the board meetings are <b>personally</b> delivered to each director.	



		However, in amin to be more ecological, the Company has begun distributing meeting materials through electronic mail.	
<b>Recommendation 1.6</b>			
1. Board is assisted by a Compliance Officer.	<b>COMPLIANT</b>	The RCG of the Company states the following:	The Compliance Officer of the Company is Maria Elisa G. Ledesma.
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	<b>COMPLIANT</b>	<i>"The Compliance officer holds the same rank as Senior Vice-President who is preferably not a member of the Board. Furthermore, the Compliance Officer is primarily responsible to the corporation and its shareholders, and not to the President, Chairman, or Board."</i>	
3. Compliance Officer is not a member of the board.	<b>COMPLIANT</b>		
4. Compliance Officer attends training/s on corporate governance.	<b>NON-COMPLIANT</b>	The compliance officer is encouraged to attend seminars on corporate governance annually.	For the trainings for the year 2023 the Company's Compliance officer was unable to find a seminar as well as provider that would fit into her schedule.
<b>Principle 2:</b> The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
<b>Recommendation 2.1</b>			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	<b>COMPLIANT</b>	Among the duties and norms of conduct of the Board is the requirement that the Board must act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company (RCG, Page 9).  The RCG of the Company highlights the functions and duties that a member of the	



		Board as well as the underlying committees owe to the Company and to its relevant shareholders and stakeholders.	
<b>Recommendation 2.2</b>			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	<b>COMPLIANT</b>	The RCG provides that the Board is tasked with the following, among others:	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	<b>COMPLIANT</b>	<i>"The Board should oversee the development and approve the company's business and strategy and monitor its implementation. In furtherance of this duty the Board should establish a strategy execution process that would facilitate and aid management in reaching company goals, taking into consideration company culture and the current business environment"</i>	
<b>Supplement to Recommendation 2.2</b>			
1. Board has a clearly defined and updated vision, mission and core values.	<b>COMPLIANT</b>	<p>Please refer to page 1 of the RCG.</p> <p><b>Mission</b></p> <p>Liberty Flour Mills is committed to manufacture the highest quality of flour products and by-products and to pursue excellence in providing services to Our customers. Through effective communication, responsive services, empowered employees, passion for technology, and total quality management, We will meet the aspirations of the customers to improve</p>	



		<p>productivity in the national markets and stakeholder values.</p> <p><b>Vision</b>  Liberty Flour Mills aspires to be the major flour manufacturer in the country by striving vigorously to delight Our customers, and by pursuing excellence and innovation through committed teamwork.</p>	
<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to page 6 of the RCG which mandates the board to monitor the implementation and corporate performance. This portion provides the following:</p> <p><b>Duties and Norms of Conduct of the Board as a Body:</b></p> <p><i>"3. The Board should oversee the development and approve the company's business strategy and monitor its implementation. In furtherance of this duty the Board should establish a strategy execution process that would facilitate and aid management in reaching company goals, taking into consideration company culture and the current business environment."</i></p>	
<p><b>Recommendation 2.3</b></p>			



1. Board is headed by a competent and qualified Chairperson.	<b>COMPLIANT</b>	<p>Please see page 9 of the RCG which provides that LFM will, always, be headed by a competent and qualified Chairperson.</p> <p>The Chairperson of the Company is Mr. John Carlos Uy.</p>	
<b>Recommendation 2.4</b>			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	<b>COMPLIANT</b>	Please see pages 9 and 26 where the it is among the duties of the Board of Directors, aided by the nominations committee, to adopt an effective succession planning program for directors and key officers. Among those stated in pages 9 to 26 are the following:	
2. Board adopts a policy on the retirement for directors and key officers.	<b>NON-COMPLIANT</b>	<p>1. The Nominations Committee recommends the succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance; and</p> <p>2. Among the duties and norms of conduct of the Board of Directors is to adopt an effective succession planning program for directors, key officers, and management, in order to ensure the continuous and consistent growth of the company.</p>	<p>The company believes that age should not be the yardstick for membership in the Board nor serve as an officer of the Company. This being the case, if a member of the Board or an executive of the company can perform to his or her expectations, there will be no barriers to their service.</p> <p>Furthermore, the company believes that it is a healthy mix of youth and the experienced that gives an organization a dynamic aspect which enables it to have an anchor on its past and history while at the same time giving it the ability to chart its future.</p>
<b>Recommendation 2.5</b>			



1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	<b>COMPLIANT</b>	Please refer to pages 9, 21, and 26 – 27 of the RCG. Under these sections the company makes it the responsibility of the Board, assisted by the Remuneration Committee, to ensure that compensation is aligned with the long term interests of LFM. Furthermore, the Company also adopts a remuneration policy to ensure that compensation provided is fair and reasonable.	
2. Board adopts a policy specifying the relationship between remuneration and performance.	<b>COMPLIANT</b>		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	<b>COMPLIANT</b>	<p>The Remuneration Committee is tasked with ensuring that the compensation given to the Board as well as to management is consistent with the Company's culture, strategy and the business environment in which it operates.</p> <p>The compensation of the Board of Directors and Management is disclosed in the Definitive Information Statement. However, in the interest of privacy and security, the compensation due to the directors and officers are cumulated and not individualized.</p> <p>The definitive information statement is available through the following link:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p>	



Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	<b>COMPLIANT</b>	<p>The board and the Shareholders approve the remuneration of the senior management during the Annual Stockholder's Meeting.</p> <p>Furthermore, the estimated compensation for the senior executives is indicated and laid out in the company's Definitive Information Statement, available through the following:</p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p>	
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.	<b>NON-COMPLIANT</b>	Please refer to pages 26-27 of the attached RCG.	<p>The Company does not have any claw back or deferred bonus compensation schemes.</p> <p>However, bonuses and a portion of compensation of the executive directors and senior officers are tied to the performance of the company.</p>
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	<b>COMPLIANT</b>	Please refer to pages 8 and 25-26 of the RCG. Under the RCG:	



2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	<b>COMPLIANT</b>	The directors will be elected annually by the stockholders entitled to vote and will serve until the election and qualification of their successors. In considering the nominees for the position of Director, the Nominations Committee and the Board will consider the matters stated in the "Board Diversity" and "Qualifications" portion of this Code.	
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	<b>COMPLIANT</b>		
4. Board nomination and election policy includes how the board shortlists candidates.	<b>COMPLIANT</b>		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	<b>COMPLIANT</b>	<p>The following are the guiding principles in the review and qualifications of the nominees:</p> <ol style="list-style-type: none"> <li>1. Whether the nominee possess the knowledge, skills, expertise, experience and independence of mind to perform their responsibilities as a member of the Board of Directors;</li> <li>2. Whether the nominee possess a record and reputation for integrity and good repute;</li> <li>3. Whether the nominee will have enough time to carry out their responsibilities; and</li> <li>4. Whether they possess all the qualifications or any of the disqualifications to be a member of the Board.</li> </ol>	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	<b>COMPLIANT</b>		



		<p><b>The Nominations Committee shall:</b></p> <ol style="list-style-type: none"> <li>1. Determines the nomination and election process for the company's directors;</li> <li>2. Defines the general profile of board members that the company may need;</li> <li>3. Ensures that appropriate knowledge, competencies and expertise that complement the existing skills of the Board are adopted as standards and criteria for nomination and election;</li> <li>4. Evaluate and recommend to the Board of Directors candidates for senior management and key personnel positions; and</li> <li>5. Ensure that the candidates for senior management and key personnel possess the necessary qualifications and criteria to enable them to perform their functions.</li> </ol> <p>Furthermore, stockholders are entitled to nominate nominees for election in the annual stockholders' meeting. The RCG Provides:</p>	
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		<i>"[S]hareholders can nominate a candidate to the Board, and such procedure is stated in the notice of the Annual Meetings sent to such shareholders."</i>	
<b>Optional: Recommendation to 2.6</b>			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.	<b>NON-COMPLIANT</b>	The Company does not use external search firms or director databases to search for candidates to the Board of Directors.	The Company shall adopt this recommendation with the need arises. Currently, the Company does not see value that is given by professional search firms or external data bases. Candidates to the Board of Directors are deemed highly valuable to the Company; and mere recommendations of external paid third-party service providers are not as valued as recommendations and voucher of character made by persons trusted by the Company.
<b>Recommendation 2.7</b>			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	<b>COMPLIANT</b>	<b>Code of Corporate Governance</b>  Please refer to pages 17 to 18 and 24-25 of the Revised Code of Corporate Governance.	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	<b>COMPLIANT</b>	<b>Group Material Related Transaction Policy</b>	
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	<b>COMPLIANT</b>	The Company has a Material Related Party Transaction Policy available through the following link:  <a href="http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf">http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf</a>	



		<p><b>Disclosures made on the Definitive Information Statement on Related Party Transactions (page 19 to 20):</b></p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p>	
<b>Supplement to Recommendations 2.7</b>			
<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	<b>COMPLIANT</b>	<p>Please see the Material Related Transaction Policy available through the following:</p> <p><b>Group Material Related Transaction Policy</b></p> <p><a href="http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf">http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf</a></p> <p>Under the Company's Related Transaction Policy there is a materiality threshold that is set at 10% of the Company's Total Assets based on the latest audited financial statements. Transactions that cross the materiality threshold are subject to Board approval.</p> <p>The related party transactions of the Company are disclosed in the Definitive Information Statement and Audited Financial Statements which are available through the following:</p>	



		<b>Definitive Information Statement:</b>  <a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a>	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	<b>NON-COMPLIANT</b>	<p>There is no formal and specific voting system implemented whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meeting. Rather, the Board leaves it to the shareholders, in the exercise of propriety, to determine whether or not they will abstain from voting on particular corporate acts.</p>	<p>Please refer to pages 18-20 of the attached Code of Corporate Governance; and the Material Related Party Transaction Policy available through the following:</p> <p><b>Group Material Related Transaction Policy</b></p> <p><a href="http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf">http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf</a></p> <p>The aforementioned provide that it is the Board that is responsible for the evaluation of such transactions is with the Board.</p>
<b>Recommendation 2.8</b>			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	<b>COMPLIANT</b>	<p>Under the RGC it is the duty of the Board to establish a competent management team composed of individuals who possess capabilities and have demonstrated their competence and abilities in their given fields of practice.</p> <p>Hence, it is the responsibility of the board to approve the selection of top management and the head of other</p>	



		control functions; as well as to assess their performance.  Furthermore, it is a matter of practice that the President and other members of senior management are appointed by the Board of Directors. Their appointment and selection are done at the organizational meeting, which follows the Annual Shareholders' meeting.	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	<b>COMPLIANT</b>	Please refer to page 11 of the RCG which provides that it is among the deliverables of the Board to assess the performance of senior management and heads of other control functions.  Furthermore, during Board meetings there is candor between senior management and the directors where feedback on corporate activities and actions are given by the later based on the presentations and reports made during the Board meetings.	
<b>Recommendation 2.9</b>			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	<b>COMPLIANT</b>	Please refer to page 9 of the RCG which makes it among the <i>Duties and Norms of Conduct of the Board</i> . This portion provides the following:  <i>"Establish an effective performance management framework that would ensure that the performance of</i>	
2. Board establishes an effective performance management framework that ensures that	<b>COMPLIANT</b>		



<p>personnel's performance is at par with the standards set by the Board and Senior Management.</p>		<p><i>management and personnel are at par with the standards that are set by the Board and Senior Management."</i></p> <p>Furthermore, the Board is assisted by the Internal Auditor to ensure the effective performance management (RCG, Page 19):</p> <p><i>"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."</i></p> <p>Lastly, the independent audit provides (RCG, Page 29):</p> <p><i>"Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the</i></p>	
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		organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management.”	
<b>Recommendation 2.10</b>			
1. Board oversees that an appropriate internal control system is in place.	<b>COMPLIANT</b>	Under the RCG it is among the responsibilities of the Board to ensure that the appropriate internal control systems are in place, including a mechanism for monitoring and managing potential/ actual conflicts of interest of board members, management, and shareholders.	The Company believes that one of the best resources to monitor and resolve conflict of interest lies in the discretion and opinion of the Independent Directors. Given that their primary function is to be impartial, this is a beginning point for an unbiased viewpoint on relevant matters that may be brought before the Board.
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	<b>COMPLIANT</b>	<p>Among the functions of the Internal Audit is the establishment of the Internal Control System. The RCG provides (RCG, Page 28-29):</p> <p><i>“The Internal Control System is defined as the framework where internal controls are developed and implemented (alone or in concert with other policies and procedures) to manage and control a particular risk or business activity, or combination of risks or business activities, to which the Company is exposed.</i></p> <p><i>The internal controls are reviewed annually by the Directors, where they study whether the internal controls have</i></p>	



		<i>fulfilled their functions to ensure the following: (i) reliability and integrity of financial and operational information; (ii) the effectiveness and efficiency of operation (iii) the safeguarding of assets; (iv) the compliance with policies, plans, procedures, laws, regulations and contracts; and (v) the accomplishment of established objectives and goals for operations or programs.”</i>	
3. Board approves the Internal Audit Charter.	<b>COMPLIANT</b>	<p>Please refer to page 21 and 28-29 of the RCG.</p> <p>Under the mechanism of the Company, the Audit Charter is formulated by the Audit Committee, and the audit committee recommends the approval of the Audit Charter to the Board.</p>	
<b>Recommendation 2.11</b>			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	<b>COMPLIANT</b>	<p>Please refer to page 12 of the RCG.</p> <p>Furthermore, the ERM functions of the Board are assisted by the Risk Oversight Committee which is primarily responsible for tracking, collating, and analyzing the various risks that LFM faces. It is this understanding and grasp of potential risks that places management in a position to make well informed decisions based on juxtaposing the current risk environment, current business activities, and future plans and opportunities (Page 30, RCG).</p>	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	<b>COMPLIANT</b>		



		Furthermore, the Enterprise Risk Management Plan contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals and objectives, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures (Page 30, RCG).	
<b>Recommendation 2.12</b>			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	<b>COMPLIANT</b>	<b>Duties and Norms of Conduct of the Board as a Body</b>  Pages 11-12 of the RCG provides for the duties and norms of conduct that the board must adhere to as a body.	
2. Board Charter serves as a guide to the directors in the performance of their functions.	<b>COMPLIANT</b>	<b>Duties and Norms of Conduct of a Director</b>  Pages 12-13 of the RCG provides the duties and norms of conduct that are incumbent upon each director.  <b>Deliverables of the Board of Directors</b>  Page 13 of the RCG provides for a list of assumptions and target deliverables of the Board.	



		<p>Additionally, please refer to the Company website through the following URL:</p> <p><a href="http://www.libertygroup.com.ph/board.html">http://www.libertygroup.com.ph/board.html</a></p>	
3. Board Charter is publicly available and posted on the company's website.	<b>COMPLIANT</b>	<p>Please refer to the Company website through the following URL:</p> <p><a href="http://www.libertygroup.com.ph/board.html">http://www.libertygroup.com.ph/board.html</a></p> <p>Additionally, please refer to pages 11-13 of the RCG.</p>	
<b>Additional Recommendation to Principle 2</b>			
1. Board has a clear insider trading policy.	<b>COMPLIANT</b>	The Company adopts the rules provided in the Securities and Regulation Code along with its Implementing Rules and Regulations.	
<b>Optional: Principle 2</b>			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	<b>COMPLIANT</b>	As a matter of general practice, LFM refrains from granting personal loans to directors and officers.	
2. Company discloses the types of decision requiring board of directors' approval.	<b>COMPLIANT</b>	<p>Please refer to page 29 of the RCG.</p> <p>Furthermore, these are contained in the minutes of the meeting of the Board of Directors, which the public, with reasonable demand, may access.</p>	



**Principle 3:** Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

**Recommendation 3.1**

<p>1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to pages 14 to 21 of the RCG.</p> <p>The current committees of the Board are the (1) Executive Committee; (2) Audit Committee; (3) Nomination Committee; (4) Remuneration Committee; and (5) Risk Oversight Committee.</p> <p>For a list of the committee memberships please see the following:</p> <p><b>Definitive Information Statement:</b></p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p> <p><b>Disclosure on the Results of the Organizational Meeting:</b></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=195422967fd866c39e4dc6f6c9b65995">https://edge.pse.com.ph/openDiscViewer.do?edge_no=195422967fd866c39e4dc6f6c9b65995</a></p>	
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**Recommendation 3.2**

<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to pages 15 to 19 of the RCG.</p>	
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<p>control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>		<p>The composition of the Audit Committee is available through the Definitive Information Statement as well as the Company's disclosure on the results of the organizational meeting, as follows:</p> <p><b>Definitive Information Statement:</b></p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p> <p><b>Disclosure on the Results of the Organizational Meeting:</b></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=195422967fd866c39e4dc6f6c9b65995">https://edge.pse.com.ph/openDiscViewer.do?edge_no=195422967fd866c39e4dc6f6c9b65995</a></p>	
<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p><b>COMPLIANT</b></p>	<p>The Audit Committee of the Company is composed of two independent directors and one non-executive board member.</p> <p>For the members of the Audit Committee, please see the Definitive Information Statement and Management Report, as well as the following disclosure:</p> <p><b>Disclosure on the Results of the Organizational Meeting:</b></p>	



		<a href="https://edge.pse.com.ph/openDiscView.r.do?edge_no=195422967fd866c39e4dc6f6c9b65995">https://edge.pse.com.ph/openDiscView.r.do?edge_no=195422967fd866c39e4dc6f6c9b65995</a>  For 2023 the members of the Audit Committee are as follows: <ol style="list-style-type: none"> <li>1. Chairman – David Ng</li> <li>2. Member – Jose A. Feria Jr.</li> <li>3. Member – Jose S. Jalandoni</li> </ol>	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	<b>COMPLIANT</b>	Please refer to page 15 of the RCG  For the qualifications of each member of the Audit Committee, please see the Definitive Information Statement and Management Report through the following link:  <b>Definitive Information Statement:</b>  <a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a>	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	<b>NON-COMPLIANT</b>		The Chairman of the Audit Committee also chairs the Compensation and Remuneration Committee.  The Members of the aforementioned committees are not the same, and hence there are ample checks and balances in place to provide the necessary and desirable check and balances.



			<p>Furthermore, the Company saw fit that the Chairperson in the determination of the compensation of Directors and Officers is at the same time the person who is tasked with knowledge of the Companies financial standing.</p> <p>This gives an unparalleled view on how Directors and Officers should be compensated based on the performance of the Company.</p> <p>Lastly, the Corporation only has two independent directors and four committees. Consequently, avoiding overlapping chairmanship of a committee is unavoidable. In the evaluation of Corporate Governance principles to comply with; the Company evaluated that chairmanship of committees by independent directors was more important than having different chairpersons per committee.</p>
<b>Supplement to Recommendation 3.2</b>			
1. Audit Committee approves all non-audit services conducted by the external auditor.	<b>COMPLIANT</b>	<p>Please refer to page 24 of the RCG which provides that the Audit Committee has the following duty:</p> <p><i>“Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid and the corporation's</i></p>	



		<i>overall consultancy expenses. The Audit Committee has the power to disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his independence. Such non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report”</i>	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	<b>NON-COMPLIANT</b>	The Audit committee meets with the external audit team on a quarterly basis and as the need arises. Furthermore, in addition to the regular meetings, the Company and its external auditor maintain an open line of communication wherein the external auditor may be consulted for matters requiring their opinion and/or inputs.	For 2023 the audit committee only had 2 meetings.
<b>Optional: Recommendation 3.2</b>			
1. Audit Committee meet at least four times during the year.	<b>NON-COMPLIANT</b>	It is company practice for the Audit Committee to meet at least once a quarter for the preparation of the quarterly reports and a quarterly year-to-date performance evaluation.	For 2023 the audit committee only had 2 meetings. Ideally, the audit committee meets prior to the submission of the quarterly reports. However, for 2023 the audit committee only met twice.
2. Audit Committee approves the appointment and removal of the internal auditor.	<b>COMPLIANT</b>	<p>Please see pages 17 and 31 of the attached Code of Corporate Governance which state the following:</p> <p>The Audit Committee – <i>“Recommends to the Board the appointment, re-appointment, removal and fees of the external auditor, duly accredited by the</i></p>	However, please note that the appointment of the external auditor is submitted to the Shareholders for their approval. Thus, the authority to appoint the external auditor is not the sole prerogative of the audit committee.



		<p><i>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.”</i></p> <p><i>“The Board, upon the recommendation of the Audit Committee, shall present to the Stockholders a duly accredited external auditor who shall make independent audits and ensure an objective and impartial evaluation and presentation of LFM’s financial statements.”</i></p> <p>Based on LFM’s RCG, it is not the audit committee that solely exercises the discretion to appoint the external auditor. Rather, the external auditor is ultimately appointment by the shareholders.</p>	
<b>Recommendation 3.3</b>			
<p>1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p>	<p><b>NON-COMPLIANT</b></p>	<p>Under the Code of Corporate Governance, it is the Nomination Committee that is tasked with overseeing the implementation of the Corporate Governance Framework. Please see page 21 of the RCG for the Nomination Committee’s Corporate Governance functions. This portion provides the following:</p> <p><i>“The Nomination Committee will assist the Board in the performance of its</i></p>	<p>The Company it that it is the functions of a committee that matter, and not the names designated to such committee. This being the case, the Board decided that it was in the best interest of the company that the functions of the Nomination Committee include that of what should be long to a corporate governance committee.</p> <p>This being the case, the function of the Nomination Committee is not only to ensure that qualified individuals selected to key</p>



		<p><i>corporate governance responsibilities. The performance of these functions creates the necessary internal protocols to ensure that business is being conducted in accordance with the Manual, as well as corporate best practices”</i></p> <p>This portion also lists down the Corporate Governance Responsibilities of the Nomination Committee.</p>	<p>position, rather it includes ensuring that good practices that the company should follow are indeed stayed true to course.</p> <p>The implementation of the good corporate governance is also a task and function that is the duty of the Compliance Officer.</p> <p>The Company also avoids creating too many committees since it believes that this has the potential to create unnecessary organizational weight/ heaviness, as well as distract and pull committee members from other important tasks. Hence, it believes that the functions of corporate governance can be merged or carried out by the Nominations Committee.</p>
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	<b>NON-COMPLIANT</b>	The Nominations Committee possesses the Corporate Governance function.	As mentioned above, the Corporate Governance functions of the Company are not placed in a separate Corporate Governance Committee, rather these functions are folded into the Nominations Committee which is in turn aided by the Compliance Officer.
3. Chairman of the Corporate Governance Committee is an independent director.	<b>NON-COMPLIANT</b>	<p>The Chairperson of the committee that is tasked with the implementation of the Corporate Governance Framework of the Company is an Independent Director.</p> <p>Please see the Definitive Information Statement and Management Report available through the following link:</p>	As mentioned earlier, the committee tasked with the Corporate Governance of the Company is the Nominations Committee. The Chairman of the Nominations Committee is an Independent Director.



		<a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a>	
<b>Optional: Recommendation 3.3.</b>			
1. Corporate Governance Committee meet at least twice during the year.	<b>NON-COMPLIANT</b>		Given that the absence of a Corporate Governance Committee, and the Corporate Governance Functions assumed by the Nominations Committee, matters related to Corporate Governance as discussed during such meetings.
<b>Recommendation 3.4</b>			
Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	<b>COMPLIANT</b>	<p>Please refer to pages 23, of the RCG. This portion states the following:</p> <p><i>“Enterprise Risk Management is primarily responsible for tracking, collating, and analyzing the various risks that LFM faces. It is this understanding and grasp of potential risks that places management in a position to make well informed decisions based on juxtaposing the current risk environment, current business activities, and future plans and opportunities.</i></p> <p><i>The Committee shall be composed of three (3) directors. As far as practicable; majority of the members should be Independent Directors; and the Chairperson of this committee is</i></p>	



		<p><i>preferably not the Chairperson of the Board or of another Committee.</i></p> <p><i>All members of the Committee should possess the relevant and thorough knowledge and experience of risk and risk management. It is preferred that the Committee is composed of various Directors that can understand and analyze risk from various perspective and fields.”</i></p>	
BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	<b>COMPLIANT</b>	<p>The members of the Risk Oversight Committee are:</p> <ol style="list-style-type: none"> <li>1. Chairman - Jose A Feria Jr.;</li> <li>2. Member - David Ng; and</li> <li>3. Member - William Ang.</li> </ol> <p>The first two (2) named above are independent directors.</p> <p>The composition of Risk Oversight Committee was disclosed via the PSE Edge.</p> <p><b>Disclosure on the Results of the Organizational Meeting:</b></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=181657b0cbd13e9e3470cea4b051ca8f">https://edge.pse.com.ph/openDiscViewer.do?edge_no=181657b0cbd13e9e3470cea4b051ca8f</a></p>	
The Chairman of the BROC is not the Chairman of the Board or of any other committee.	<b>NON-COMPLIANT</b>	Jose A. Feria Jr. is also the Chairman of the Nominations Committee.	The Members of the aforementioned committees are not the same, and hence there are ample checks and balances in



			<p>place to provide the necessary and desirable check and balances.</p> <p>Furthermore, the background of Jose A. Feria Jr. gives him an advantage in terms of appreciating and understanding risk.</p>
At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	<b>COMPLIANT</b>	For the qualifications of each member of the Risk Oversight Committee, please see the Definitive Information Statement and Management Report.	
<b>Recommendation 3.5</b>			
Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	<b>NON-COMPLIANT</b>		<p>The RPT function of the company is lodged in the Board itself. It is the body in the corporation that studies and approves RPTs.</p> <p>This comes with the additional safeguard that Senior Management implements controls to monitor RPTs on a per transaction and aggregate basis; the Audit Committee reviews the effectiveness of the internal controls; and the Compliance Officer ensures that the aforementioned follow the relevant rules and regulations.</p> <p>For more information please see the MRPT, available at:</p> <p><a href="http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf">http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf</a></p>
RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	<b>NON-COMPLIANT</b>		
<b>Recommendation 3.6</b>			



All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	<b>COMPLIANT</b>	<p>Please refer to the following pages of the RCG:</p> <ol style="list-style-type: none"> <li>1. Executive Committee – Page 15</li> <li>2. Audit Committee - Page 15 to 20</li> <li>3. Nominations Committee – Pages 20 to 21</li> <li>4. Remuneration Committee – Page 22.</li> <li>5. Risk Oversight Committee – Page 23.</li> </ol>	
Committee Charters provide standards for evaluating the performance of the Committees.	<b>COMPLIANT</b>	Please see pages 15 to 23 of the attached RCG.	
Committee Charters were fully disclosed on the company's website.	<b>COMPLIANT</b>	<p>Please refer to the Company website through the following URL:</p> <p><a href="http://www.libertygroup.com.ph/board.html">http://www.libertygroup.com.ph/board.html</a></p> <p>Furthermore, the duties and functions of each Committee are detailed and discussed in the Company's RCG available through the following link:</p> <p><a href="http://www.libertygroup.com.ph/pdf/LFM_Revised_Code_of_Corporate%20Governance_2019.pdf">http://www.libertygroup.com.ph/pdf/LFM_Revised_Code_of_Corporate%20Governance_2019.pdf</a></p>	



**Principle 4:** To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

**Recommendation 4.1**

<p>The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.</p>	<p><b>COMPLIANT</b></p>	<p>The Directors are given the option to participate and attend Board and Committee meetings through remote communication. However, this is not a practice that is available to the shareholder.</p> <p>Under Republic Act 11232, for complete shareholder participation (including the right to vote) in Board Meetings to be effected, this must be stated in the By-Laws. However, the SEC has passed and promulgated guidelines on the holding of Shareholder meetings through remote communication matter were released on March 12, 2020, through SEC Memorandum Circular No. 6 Series of 2020; further encouraging corporations to allow stockholders to allow participation through remote communications even in a post-pandemic way of life.</p> <p>Since the pandemic, all the Stockholders' Meetings have been conducted via remote communication.</p>	
<p>The directors review meeting materials for all Board and Committee meetings.</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to pages 10 of the RCG.</p>	<p>The materials for the Board meetings are given to the Board and committee members before each meeting.</p>



The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	<b>COMPLIANT</b>	<p>Please refer to pages 10 and 37 and 39.</p> <p>Furthermore, it is among the duties of each director to dedicate time and attention to properly and effectively perform his/her duties as stated in the Code.</p>	
<b>Recommendation 4.2</b>			
Non-executive directors concurrently serve in a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	<b>NON-COMPLIANT</b>		<p>LFM does not have a policy against Directors holding other directorship positions in other companies. The company does not believe that the number of seats that a director holds does not have a significant impact on active participation. Furthermore, LFM is of the opinion that there is no direct correlation on the number of board positions held to the ability of a director to contribute to discussions and to the company. As a matter of fact, exposure to different industries enriches a Director, which in turn gives a Director's contribution an aspect of spanning across different disciplines.</p> <p>What is of more concern to LFM are Director conflicts of interest.</p>
<b>Recommendation 4.3</b>			
The directors notify the company's board before accepting a directorship in another company.	<b>COMPLIANT</b>	The Directors fully disclose to the Board the directorship position that they were offered the nature of the business of the offering corporation, and an analysis if this would lead to a possible conflict of interest.	



Optional: Principle 4			
Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	<b>COMPLAINT</b>	Please see the Management Report as well as the Annual Report which contains the background of the various directors of the Company.	
Company schedules board of directors' meetings before the start of the financial year	<b>COMPLIANT</b>	The Board of Directors meet every last Wednesday of the month. This is in accordance with the By-Laws of the Company.	
Board of directors meet at least six times during the year.	<b>COMPLIANT</b>	The board meets at least 12 times a year.  In the absence of any extra-ordinary circumstances, the Board religiously meets every last Wednesday of the month, and if such date cannot be kept, the meeting is rescheduled to a later date.	
Company requires as minimum quorum of at least 2/3 for board decisions.	<b>NON-COMPLIANT</b>	The By-Laws of the Company provide that a majority of the Board is required to constitute a quorum and the majority of the quorum is necessary to decide on matters.	In the actual meeting of the Board, the actual attendance of the Bard Members comprises at least 2/3.
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	<b>NON-COMPLIANT</b>	Please Refer to the Securities Regulation Code.	The Company currently has two independent directors, which constitutes at least 20% of the board size.
Recommendation 5.2			



The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	<b>COMPLIANT</b>	<p>Please refer to pages 12 to 14 of the RCG and the Certificate of Independence executed by the Independent Directors, which is attached to the Definitive Information Statement.</p> <p><b>Definitive Information Statement:</b></p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p>	
<b>Supplement to Recommendation 5.2</b>			
Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	<b>COMPLIANT</b>	<p>There are no such agreements and constraints. As reference, please see Article VII of the Company's By-Laws.</p> <p><b>By-Laws of Liberty Flour Mills, Inc.</b></p> <p><a href="http://www.libertygroup.com.ph/pdf/articles/by-laws/2009_AMENDED_BY-LAWS.pdf">www.libertygroup.com.ph/pdf/articles/by-laws/2009_AMENDED_BY-LAWS.pdf</a></p>	
<b>Recommendation 5.3</b>			
The independent directors serve for a cumulative term of nine years (reckoned from 2012).	<b>NON-COMPLIANT</b>	<p>Please refer to the Organizational Disclosure of the 2024 Stockholder's Meeting made available at the PSE Edge and the Certificate of Independence executed by the Independent Directors, which is attached to the Definitive Information Statement.</p> <p><b>Definitive Information Statement:</b></p>	<p>Atty. Jose A. Feria and Arch. David Ng continued as the Company's independent directors for the year 2022 to 2023 based on the following justifications:</p> <p>One of the largest assets of the Corporation is its real property holdings. The COVID 19 pandemic has drastically affected the manner that business is conducted. Arch. Ng brings expertise that is invaluable to</p>



		<a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a>  <b>Disclosure on the Results of the Organizational Meeting:</b>  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=181657b0cbd13e9e3470cea4b051ca8f">https://edge.pse.com.ph/openDiscViewer.do?edge_no=181657b0cbd13e9e3470cea4b051ca8f</a>	<p>discussions regarding the appreciation of the Corporation's property holdings. His 35 years in the practice of Architecture, coupled with his business acumen, has provided him with knowledge that the Corporation deems as indispensable under these challenging times. His involvement spans engagement in projects that have carried out property development for commercial and residential structures, and he has overseen projects from the architectural, construction, fit outs, and renovations stages. The corporation believes that Arch. Ng's credentials and familiarity with the Corporation allow him to provide the Board with the expertise essential to the effective administration and, appreciation of a substantial portion of the Corporation's investment portfolio.</p> <p>The COVID-19 pandemic forced the Corporation to "pivot" and find ways to navigate, at breakneck speeds, the business landscape that it finds itself in. However, the Corporation recognizes that speed should not be the only consideration in terms of adapting changes. Change must be implemented and done in compliance with law. Atty. Feria' s 45 years of experience in the field of law has given him undisputable knowledge and familiarity with the nuances of the law and its practice; he has repeatedly shown the acumen and ability to find the most efficient legal solutions. Additionally,</p>
The company bars an independent director from serving in such capacity after the term limit of nine years.	<b>NON-COMPLIANT</b>	Please refer to Securities Exchange Commission Memorandum Circular 04-2017.	



			Atty. Feria also possesses familiarity with the Corporation's operations, business, and values. The combination of his unparalleled experience, knowledge of legal particulars, and his intimate knowledge of the Corporation are factors that allow Atty. Feria to provide legal analysis and advice that only a lawyer intimately familiar with the Corporation can provide - which the Corporation deems Imperative for it to effectively "pivot" at the speed required.
In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	<b>COMPLIANT</b>	Please refer to page 11 of the attached Code of Corporate Governance.	In the 2021 Annual Stockholder's Meeting of the Company, among the matters approved by the stockholders was the extension of the term limits of the independent directors, which was included in the agenda item for the <i>Nomination and Election Directors</i> . These justifications have been the basis for the continued election of Mr. Ng and Atty. Feria as Independent Directors.
<b>Recommendation 5.4</b>			
The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	<b>COMPLIANT</b>	<p>The Chairman of the Company is John Carlos Uy, while the President is Sandra Judy Uy. Please see the disclosure on the results of the Organizational Meeting for reference.</p> <p><b>Disclosure on the Results of the Organizational Meeting:</b></p>	



		<a href="https://edge.pse.com.ph/openDiscView.r.do?edge_no=181657b0cbd13e9e3470cea4b051ca8f">https://edge.pse.com.ph/openDiscView.r.do?edge_no=181657b0cbd13e9e3470cea4b051ca8f</a>	
The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	COMPLIANT	Please refer to RCG pages 9 to 10 for the responsibilities of the Chairman, and pages 34 to 35 for the responsibilities of the President.	
Recommendation 5.5			
If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	COMPLAINT	Please refer to page 14 of the RCG which states:  “In the event that the Chairman of the Board is not independent or the position of Chairman and President are held by the same person, the Board shall designate a Lead Independent Director.”	
Recommendation 5.6			
Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	COMPLAINT	Please refer to page 11 of the RCG.	
Recommendation 5.7			
The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	NON-COMPLIANT	The NEDs did not meet separately from the Board of Directors.	The Company believes that having separate meetings for the NEDs would add to the administrative workload and create necessary burdens on the NEDs.
1. The meetings are chaired by the lead independent director.	NON-COMPLIANT		
Optional: Principle 5			



1. None of the directors is a former CEO of the company in the past 2 years.	<b>NON-COMPLIANT</b>	The current President is Sandra Judy Uy; who is also a director.	Under the Revised Corporation Code of the Philippines, the President is required to be a director of the Company. Furthermore, LFM does not have the position of CEO.
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**Principle 6:** The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

**Recommendation 6.1**

1. Board conducts an annual self-assessment of its performance as a whole.	<b>COMPLIANT</b>	The Board, its individual members, and the respective committees make quarterly assessments to determine if the targets are met, and there is also discussion on what strategies should be taken to meet targets, and also if the implemented strategies are effective in helping the Company reach their targets.	
2. The Chairman conducts a self-assessment of his performance.	<b>COMPLIANT</b>		
3. The individual members conduct a self-assessment of their performance.	<b>COMPLIANT</b>		
4. Each committee conducts a self-assessment of its performance.	<b>COMPLIANT</b>		
5. Every three years, the assessments are supported by an external facilitator.	<b>NON-COMPLIANT</b>		<p>The Company does not see value or need to have assessments supported by an external facilitator. Especially that austerity is an important value given the circumstances that the Company is currently doing business in.</p> <p>Furthermore, the Company has decided that in budgeting matters relating to external facilitators, these are better spent on those that relate directly to the Company's operations.</p>

**Recommendation 6.2**



1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	<b>COMPLIANT</b>	Please refer to pages 9 to 13 of the RCG the criteria for the Board and each individual director; and pages 15 to 24 for those of the committees.	
2. The system allows for a feedback mechanism from the shareholders.	<b>COMPLIANT</b>	The Company adopts an open-door policy where all shareholders are free to reach management. These are contained in the pages 44 to 46 of the RCG.	
<b>Principle 7:</b> Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
<b>Recommendation 7.1</b>			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	<b>COMPLIANT</b>	<p>Please refer to pages 31 to 34 of the RCG.</p> <p>The Code of Business Conduct and Ethics covers the following topics: Conflict of Interest, Conduct of Business and Fair Dealings, receipt of Gifts from Third Parties, Anti-Corruption, Compliance with Law, respect of Trade Secrets/ Use of non-Public Information, Use of Company Funds and Assets, Employment Practices, Disciplinary Actions, Whistleblower Policy, and Conflict Resolution.</p>	
2. The Code is properly disseminated to the Board, senior management and employees.	<b>COMPLIANT</b>	An updated copy is disseminated to the Board. Furthermore, the submission of this report and the Manual of Corporate Governance is discussed in the Board	



		meeting immediately preceding the deadline for the submission of this report.	
3. The Code is disclosed and made available to the public through the company website.	<b>COMPLIANT</b>	<p>Copies of the updated Code is made available through the PSE Edge and distributed during the Annual Shareholder's Meeting.</p> <p>This may also be found on the website through the following link:</p> <p><b>Code of Corporate Governance:</b></p> <p><a href="http://www.libertygroup.com.ph/pdf/LFM_Revised_Code_of_Corporate%20Governance_2019.pdf">http://www.libertygroup.com.ph/pdf/LFM_Revised_Code_of_Corporate%20Governance_2019.pdf</a></p>	
<b>Supplement to Recommendation 7.1</b>			
Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	<b>COMPLIANT</b>	<p>Please see pages 31-33.</p> <p>The RCG Provides the following:</p> <p><i>“Disciplinary actions and sanctions are put into place and implemented when violations have been committed.</i></p> <p><i>Grounds for the removal or disqualification of directors are dealt with by the Board.</i></p> <p><i>The violation of company rules and regulations may result in the appropriate disciplinary action. If necessary, a violation may result in legal action against</i></p>	



		<i>the employee, or otherwise, its referral to the appropriate government authorities.”</i>	
<b>Recommendation 7.2</b>			
Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	<b>NON-COMPLIANT</b>	Please see Page 29 of the RCG which provides that among the functions of the internal audit is to ensure that the directors review the compliance with policies. This portion states:	There are no set and definitive procedures and/or guidelines when it comes to ensuring the efficient implementation of the Code of Business Conduct and Ethics. However, there are controls within the company, such as Board responsibility to review internal controls, as well as the functions of the internal auditor.
Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	<b>NON-COMPLIANT</b>	<p><i>“The internal controls are reviewed annually by the Directors, where they study whether the internal controls have fulfilled their functions to ensure the following: (i) reliability and integrity of financial and operational information; (ii) the effectiveness and efficiency of operation (iii) the safeguarding of assets; (iv) the compliance with policies, plans, procedures, laws, regulations and contracts; and (v) the accomplishment of established objectives and goals for operations or programs.”</i></p> <p>Furthermore the Internal Auditor is tasked with: <i>“providing an unbiased critique of the risk assessment process, corporate governance compliance, and internal controls of LPC”</i> (RCG, Page 35).</p>	<p>The Company believes that these safeguards are sufficient to ensure compliance with this Code. Furthermore, the Company wants to avoid creating too much accessory responsibilities for management and the Board. It firmly believes that adding a plethora of additional functions, in addition to the current responsibilities, would create an unnecessary burden that could hamper effectivity.</p>
<b>Disclosure and Transparency</b>			
<b>Principle 8:</b> The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
<b>Recommendation 8.1</b>			



<p>Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to pages 24 to 25 of the RCG which provides the following:</p> <p><i>“LFM believes that transparency coupled with timely and comprehensive disclosures leads to better corporate governance by creating significant barriers for the Directors, Management, or dominant stockholders to mismanage the Company. All disclosures required by law, regulation, or best practices will be made in a timely manner and within the time prescribed by law. With the further obligation that the standard of transparency of such disclosures will be in accordance with generally accepted best practices and regulatory expectations.</i></p> <p><i>As a matter of policy, all material information about the Company which could adversely affect its viability, or the interest of the stockholders will be publicly and timely disclosed through the PSE and SEC submissions. Such information should include among others, earning results, acquisition or disposition of assets, related party transactions, direct and indirect remuneration of members of the Board and Management, and information that would otherwise affect the decision of an investor to purchase or sell shares of LFM.</i></p>	
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		<p><i>To fulfill its obligation of transparency, LFM makes structured and unstructured disclosures through the PSE Edge and the required filings with the SEC. Such disclosures may be accessed through PSE Edge or the Company Website.”</i></p> <p>The Company also complies with the disclosure timelines and requirements of the Securities Regulation Code and its Implementing Rules and Regulations, as well as the Disclosure Requirements of the Philippine Stock Exchange.</p> <p>Further to such commitments, the Company discloses to the on the Philippine Stock Exchange all relevant information that would be considered as material information. The Company’s disclosures are available on the PSE Edge.</p> <p><b>Liberty Flour Mills, Inc. Company Disclosures</b> available at:</p> <p><a href="https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227">https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227</a></p>	
<b>Supplement to Recommendations 8.1</b>			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are	<b>PARTIALLY NON- COMPLIANT</b>	The audited financial reports are made available upon the disclosure of the Annual Report of the Company though the PSE Edge and these are likewise given before the Annual Shareholder’s Meeting.	For 2023, the Company filed an SEC Form 17-L ( <i>Request for Extension to File SEC Form 17-A</i> ) on April 11, 2024 for the 2023 Annual Report. This was due to the fact that the Audited Financial Statements were not yet finalized. For 2023 the Company filed the 17-



<p>published within forty-five (45) days from the end of the reporting period.</p>		<p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p> <p>Since the year 2019 the Company had stopped providing physical copies of all reports to the Stockholders. Rather, in the information packet for the Annual Stockholders' Meeting QR codes are provided for the Definitive Information Statement and Annual Report. This measure was implemented in efforts to promote the sustainability objectives of the Company.</p>	<p>A, which included the Consolidated Financial Statements on April 30,2024.</p>
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<p>2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to the Annual Report and the Definitive Information Statement.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p>	
<p><b>Recommendation 8.2</b></p>			
<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p><b>NON-COMPLIANT</b></p>	<p>The Company does not have a specific policy requiring the directors and officers to disclose any dealing with the company's shares within three business days. However, the transactions of the directors with the company are contained</p>	<p>The Company adopts the requirements of the Securities Regulation Code and its Implementing Rules and Regulations as well as the Listing and Disclosure Rules of the Philippine Stock Exchange in relation to</p>
<p>2. Company has a policy requiring all officers to disclose/report to the company any dealings</p>	<p><b>NON-COMPLIANT</b></p>		



<p>in the company's shares within three (3) business days.</p>		<p>in the reportorial requirements submitted by the Company to the Commission and the Exchange.</p> <p>Please refer to the Annual Report and the Definitive Information Statement. Furthermore, the particular details of related party transactions are discussed in the Company's Audited Financial Statements.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p>	<p>transaction of directors and officers involving the Company's shares.</p>
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		Please also see the <b>Material Related Transaction Policy</b> available at: <a href="http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf">http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf</a>	
<b>Supplement to Recommendation 8.2</b>			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	<b>COMPLIANT</b>	<p>The Company complies with the requirements of the Securities Regulation Code and its Implementing Rules and Regulations as well as the Listing and Disclosure Rules of the Philippine Stock Exchange.</p> <p>Please refer to the PSE Disclosures through the following:</p> <p><b>Company Disclosures of Liberty Flour Mills, Inc.</b> are available at:</p> <p><a href="https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227">https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227</a></p> <p>However, for the fiscal year of 2023 there have been no share buy backs by LFM.</p>	
<b>Recommendation 8.3</b>			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	<b>COMPLIANT</b>	Please see the Management Report as well as the Annual Report for the disclosures on the relevant and material information on the Directors. The disclosures in these documents contain the relevant professional experience of each director.	



		<p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p>	
<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<b>COMPLIANT</b>	<p>In the event that there is a material event, this will be disclosed on the PSE Edge, in compliance with listing and disclosure rules.</p> <p><b>Company Disclosures of Liberty Flour Mills, Inc.</b> are available at:</p> <p><a href="https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227">https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227</a></p>	



Recommendation 8.4			
Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	<b>COMPLIANT</b>	<p>Please refer to page 22 RCG as well as the By Laws of LFM (Article II) available at:</p> <p><a href="http://www.libertygroup.com.ph/pdf/articles/bylaws/2009_AMENDED%20BY-LAWS.pdf">http://www.libertygroup.com.ph/pdf/articles/bylaws/2009_AMENDED%20BY-LAWS.pdf</a></p>	
Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	<b>COMPLIANT</b>	<p>Please refer to the Definitive Information Statement and Management Report Statement previously filed with the Commission and made available through the PSE Edge.</p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p> <p>Also, please see page 22 of the RCG and the By Laws of LFM</p> <p><b>By-Laws of Liberty Flour Mills, Inc.</b></p> <p><a href="http://www.libertygroup.com.ph/pdf/articles/bylaws/2009_AMENDED%20BY-LAWS.pdf">http://www.libertygroup.com.ph/pdf/articles/bylaws/2009_AMENDED%20BY-LAWS.pdf</a></p>	



<p>Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p><b>NON-COMPLIANT</b></p>	<p>Please see the Management Report as well as the Annual Report of LFM where the remuneration of the Board and Senior Management are provided.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p>	<p>Remuneration of the Directors and Officers is aggregated and not individualized. This is in the interest of privacy and security of the Directors and Officers.</p>
<p><b>Recommendation 8.5</b></p>			
<p>Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.</p>	<p><b>COMPLIANT</b></p>	<p>The Company has a Material Related Transaction Policy, which is available as follows:</p> <p><b>Material Related Transaction Policy</b></p>	



		<a href="http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf">http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf</a>	
Company discloses material or significant RPTs reviewed and approved during the year.	<b>COMPLIANT</b>	<p>Please see to the Annual Report, Definitive Information Statement, and Management Report previously filed with the Commission and disclosed and made available through the PSE Edge.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p>	



<b>Supplement to Recommendation 8.5</b>			
Company requires directors to disclose their interests in transactions or any other conflict of interests.	<b>COMPLIANT</b>	The Directors are required to give notice to the Board regarding any possible interest in a transaction or any possible conflict of interest. Such disclosure is then subject to further discussions during board meetings.	In the event that a Director is deemed to have a conflict of interest in a particular matter, they are requested to abstain from voting in relation to such matters where such conflicts occur.
<b>Optional : Recommendation 8.5</b>			
Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	<b>COMPLIANT</b>	<p>Please refer to the Definitive Information Statement and Annual Report previously filed with this Commission and made available through the PSE Edge.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2023/05/1.-2022-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertyflourmills.com/wp-content/uploads/2023/05/1.-2022-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p>	



		<a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a>  Please see the <b>Material Related Transaction Policy</b> available at:  <a href="http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf">http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf</a>	
<b>Recommendation 8.6</b>			
Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	<b>COMPLIANT</b>	Please refer to the company disclosures on the PSE Edge.  <b>Company Disclosures of Liberty Flour Mills, Inc.</b> are available at:  <a href="https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227">https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227</a>	
Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	<b>COMPLIANT</b>	The Board ensures that due diligence is conducted before entering into transactions.  If the need arises, the Board also hires appraisers to ensure that valuation that the Company gives or is given for assets are beneficial to the Company.	
<b>Supplement to Recommendation 8.6</b>			
Company discloses the existence, justification and details on shareholder agreements, voting	<b>COMPLIANT</b>	Please refer to the company disclosures on the PSE Edge.	



trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.		For the year 2023, there were no shareholder agreements, voting trust agreements, confidentiality agreements of a nature that may impact control, ownership, and strategic direction of LFM.	
<b>Recommendation 8.7</b>			
Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	<b>COMPLIANT</b>	The Manual of Corporate Governance is made available through the following link:  <b>Manual of Corporate Governance:</b>	
Company's MCG is submitted to the SEC and PSE.	<b>COMPLIANT</b>	<a href="http://libertyflourmills.com/wp-content/uploads/2022/06/LFM_Revised_Code_of_Corporate-Governance_2019.pdf">http://libertyflourmills.com/wp-content/uploads/2022/06/LFM_Revised_Code_of_Corporate-Governance_2019.pdf</a>	
Company's MCG is posted on its company website.	<b>COMPLIANT</b>	Furthermore, the Manual of Corporate Governance will be submitted to the Commission and the PSE respectively as an Annex in the filing of the I-ACGR and disclosure on the PSE Edge.	
<b>Supplement to Recommendation 8.7</b>			
Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	<b>COMPLIANT</b>	Please refer to the disclosures made on the PSE Edge.  However, for the previous year, there were no changes that were made to the Code of Corporate Governance of the Company.	
<b>Optional: Principle 8</b>			



Does the company's Annual Report disclose the following information:		Please refer to the Annual Report and Definitive Information Statement previously filed with the Commission and made available through the PSE Edge.	
a. Corporate Objectives	<b>COMPLIANT</b>	<p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=f85c1b7255f6f8403470cea4b051ca8f">https://edge.pse.com.ph/openDiscViewer.do?edge_no=f85c1b7255f6f8403470cea4b051ca8f</a></p>	
b. Financial performance indicators	<b>COMPLIANT</b>		
c. Non-financial performance indicators	<b>COMPLIANT</b>		
d. Dividend Policy	<b>COMPLIANT</b>		
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	<b>COMPLIANT</b>		
f. Attendance details of each director in all directors meetings held during the year	<b>COMPLIANT</b>		
g. Total remuneration of each member of the board of directors	<b>COMPLIANT</b>		
The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	<b>COMPLIANT</b>	Please refer to pages 23-26 of the RCG, and the Annual Report filed with this Commission and disclosed on the PSE EDGE.	



		<p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p>	
<p>The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.</p>	<b>COMPLIANT</b>	<p>Please refer to pages 23-26 of the RCG, and the Annual Report filed with this Commission and disclosed on the PSE Edge.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-</a></p>	



		<a href="#">LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a>  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a>  The <b>Definitive Information Statement</b> is available through the following:  <a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a>  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a>	
The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.	<b>NON-COMPLIANT</b>	Please refer to pages 23-26 of the RCG, and the Annual Report filed with this Commission and disclosed on the PSE Edge.  The <b>Annual Report</b> is available through the following:  <a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a>  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a>	There is no statement in the Annual Report that provides a statement on the adequacy of the internal control systems and risk management systems. However, despite the absence of such statements; these are still within the purview of the Audit Committee.  Please note among the functions of the Audit Committed is to oversee the Internal Audit Department which is responsible for the following: <i>“monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and</i>



		<p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p>	<p><i>processes that will provide a system of checks and balances should be in place in order to: (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations".</i></p>
<p>The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to pages 23-26 of the RCG, and the Annual Report filed with this Commission and disclosed on the PSE Edge. These key risks are likewise identified, detailed, and discussed in the information statement provided to the stockholders for the Annual Stockholders' Meeting.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p>	



		<p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p>	
<p><b>Principle 9:</b> The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.</p>			
<p><b>Recommendation 9.1</b></p>			
<p>Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to pages 15 to 18 of the RCG.</p> <p>This is also indicated in LFM's Annual Report</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>The <b>Definitive Information Statement</b> is available through the following:</p>	



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The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	<b>COMPLIANT</b>	The shareholders voted in favor and ratified the reappointment of SyCip Gorres Velayo and Co. as the Company's external auditors.	
For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	<b>COMPLIANT</b>	There has been no removal or replacement of the external auditor in the last three years. If the external auditor is replaced, the Company will comply with SEC MC No. 8, Series of 2013.	
<b>Supplement to Recommendation 9.1</b>			
Company has a policy of rotating the lead audit partner every five years.	<b>COMPLIANT</b>	<p>Please refer to page 19 of the Annual Report which provides the following:</p> <p><i>“An external auditor may only serve as such for a period of five (5) consecutive years. The Board, at its discretion, may allow an external auditor to serve for a period of more than five (5) years, subject to the condition that the handling partner be replaced.”</i></p> <p>The <b>Annual Report</b> is available through the following:</p>	



		<a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a>  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a>  The <b>Definitive Information Statement</b> is available through the following:  <a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a>  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=f85c1b7255f6f8403470cea4b051ca8f">https://edge.pse.com.ph/openDiscViewer.do?edge_no=f85c1b7255f6f8403470cea4b051ca8f</a>	
<b>Recommendation 9.2</b>			
1. Audit Committee Charter includes the Audit Committee's responsibility on: <ul style="list-style-type: none"> <li>i. assessing the integrity and independence of external auditors;</li> <li>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</li> <li>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into</li> </ul>	<b>COMPLIANT</b>	Please see pages 16 to 19 of the RC which provides the following:  <i>"The Audit Committee shall have the following responsibilities and duties relative to the external auditor:</i>  1. Assess the integrity and independence of the external auditor;	



<p>consideration relevant Philippine professional and regulatory requirements.</p>		<p><i>2. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions;</i></p>	
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	<p><b>COMPLIANT</b></p>	<p><i>3. Exercise, effective oversight to review and monitor the effectiveness of the audit process;</i></p> <p><i>4. Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</i></p> <p><i>5. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</i></p> <p><i>6. Review the reports submitted by the internal and external auditors; and</i></p> <p><i>7. Review the quarterly, half-year and annual financial statements before their submission to the Board, with focus on the following matters:</i></p>	



		<i>a. Any change/s in accounting policies and practices;</i> <i>b. Major judgmental areas;</i> <i>c. Significant adjustments resulting from the audit;</i> <i>d. Going concern assumptions;</i> <i>e. Compliance with accounting standards; and</i> <i>f. Compliance with tax, legal and regulatory requirements.”</i>	
<b>Supplement to Recommendations 9.2</b>			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	<b>COMPLIANT</b>	Please see pages 16 to 19 of the RCG.	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	<b>COMPLIANT</b>	Please see pages 16 to 19 of the RCG.	
<b>Recommendation 9.3</b>			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	<b>COMPLIANT</b>	There have been no non-audited services rendered by the Company’s current external auditor.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor’s objectivity.	<b>COMPLIANT</b>	There have been no non-audited services rendered by the Company’s current external auditor.	



<b>Supplement to Recommendation 9.3</b>			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	<b>COMPLIANT</b>	<p>For the breakdown of the same, please refer to the Definitive Information Statement previously submitted to the Commission; and disclosed and made available through the PSE Edge.</p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p>	
<b>Additional Recommendation to Principle 9</b>			
1. Company's external auditor is duly accredited by the SEC under Group A category.	<b>COMPLIANT</b>	<p>SyCip Gorres Velayo and Co. Editha V. Estacio Sec Accreditation No. 1700-A 18 August 2018 – 15 August 2021 6760 Ayala Avenue, Makati City (632) 8910307</p>	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	<b>COMPLIANT</b>		



**Principle 10:** The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.

**Recommendation 10.1**

1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.

**COMPLIANT**

Please refer to the Annual Report previously submitted to the Commission, disclosed and made available through the PSE Edge, and uploaded to the Company Website. This report contains the Sustainability Report of the Company, which outlines its environmental priorities.

The **Annual Report** is available through the following:

[http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM\\_SEC-17A-ANNUAL-REPORT\\_MAIN-PAGE-F.pdf](http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf)

[https://edge.pse.com.ph/openDiscViewer.do?edge\\_no=dc9efa70a008f3a2abca0fa0c5b4e4d0](https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0)

The **Definitive Information Statement** is available through the following:

<http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf>

[https://edge.pse.com.ph/openDiscViewer.do?edge\\_no=358c4b7d1a2131b2abca0fa0c5b4e4d0](https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0)



<p>2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.</p>	<p><b>COMPLIANT</b></p>	<p>The company included in its Annual Report the Sustainability Report required by SEC Memorandum Circular No. 4 Series of 2019.</p> <p>Please see the Sustainability Report annexed to the annual report.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p>	
<p><b>Principle 11:</b> The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.</p>			
<p><b>Recommendation 11.1</b></p>			
<p>Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to the disclosures made through the PSE Edge and the company website.</p> <p><b>Company Disclosures of Liberty Flour Mills, Inc.</b> are available at:</p> <p><a href="https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227">https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=227</a></p>	



		The company website may be accessed at: <a href="http://libertygroup.com.ph">http://libertygroup.com.ph</a>	
<b>Supplemental to Principle 11</b>			
Company has a website disclosing up-to-date information on the following:		The company website may be accessed at: <a href="http://libertyflourmills.com/">http://libertyflourmills.com/</a>	
a. Financial statements/reports (latest quarterly)	<b>COMPLIANT</b>	<b>Financial statements/reports (latest quarterly)</b> available at:	
b. Materials provided in briefings to analysts and media	<b>COMPLIANT</b>	<a href="http://libertygroup.com.ph/about-us/">http://libertygroup.com.ph/about-us/</a>  Please navigate to the tab, “SEC Filings”	
c. Downloadable annual report	<b>COMPLIANT</b>	<b>Materials provided in briefings to analysts and media</b>	
d. Notice of ASM and/or SSM	<b>COMPLIANT</b>	<a href="http://libertygroup.com.ph/investor-relations/">http://libertygroup.com.ph/investor-relations/</a>	
e. Minutes of ASM and/or SSM	<b>COMPLIANT</b>		
f. Company’s Articles of Incorporation and By-Laws	<b>COMPLIANT</b>	and  <a href="http://libertygroup.com.ph/newspage/">http://libertygroup.com.ph/newspage/</a>  <b>Downloadable annual report</b>  <a href="http://libertygroup.com.ph/about-us/">http://libertygroup.com.ph/about-us/</a>  Please navigate to the tab, “SEC Filings”  <b>Notice of ASM and/or SSM</b>	



		<a href="http://www.libertygroup.com.ph/notice.html">http://www.libertygroup.com.ph/notice.html</a>  <b>Minutes of ASM and/or SSM</b>  <a href="http://www.libertygroup.com.ph/meetings.html">http://www.libertygroup.com.ph/meetings.html</a>  <b>Company's Articles of Incorporation</b>  <a href="http://www.libertygroup.com.ph/meetings.html">http://www.libertygroup.com.ph/meetings.html</a>  <b>Company's By-Laws</b>  <a href="http://www.libertygroup.com.ph/pdf/articles/bylaws/2009_AMENDED%20BY-LAWS.pdf">http://www.libertygroup.com.ph/pdf/articles/bylaws/2009_AMENDED%20BY-LAWS.pdf</a>	
<b>Additional Recommendation to Principle 11</b>			
Company complies with SEC-prescribed website template.	<b>COMPLIANT</b>	The company website may be accessed at: <a href="http://libertygroup.com.ph">http://libertygroup.com.ph</a>	
<b>Internal Control System and Risk Management Framework</b>			
<b>Principle 12:</b> To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
<b>Recommendation 12.1</b>			
Company has an adequate and effective internal control system in the conduct of its business.	<b>COMPLIANT</b>	Please refer to pages 5, 15-16, 19, and 28 to 29 of the RCG.	
Company has an adequate and effective enterprise risk management framework in the conduct of its business.	<b>COMPLIANT</b>	Please refer to pages 23 to 26 of the RCG which detail the major risks of the	



		Corporation and how these are addressed.	
<b>Supplement to Recommendations 12.1</b>			
Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	<b>NON-COMPLIANT</b>	The RCG which require all directors, senior managements and employees to comply with law (Pages 29-31). However, there is no formal and comprehensive training.	<p>The Company does not have a formal and comprehensive training covering compliance with law and regulations. However, the Company does not believe that this not prejudices the Corporate Governance Practice of the Company.</p> <p>However, in practice, employees are given access to external counsel for them to clear and seek advise on the legal matters.</p>
<b>Optional: Recommendation 12.1</b>			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.	<b>COMPLIANT</b>	An IT personnel is assigned to ensure that all online and electronic usage are protected and that the integrity of the same is intact. These services are contracted to a third party given the lack of organic expertise on the matter.	
<b>Recommendation 12.2</b>			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	<b>COMPLIANT</b>	The internal audit is done in-house.	
<b>Recommendation 12.3</b>			



<p>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to pages 19 to 20 which appoints a Chief Auditor and an Internal Auditor. Their functions are as follows:</p> <p><u>Chief Auditor:</u></p> <ol style="list-style-type: none"> <li>1. Periodically reviews the internal audit plan and presents it to senior management and Audit Committee for approval;</li> <li>2. Establishes a risk-based internal audit plan, including policies and procedures to determine the priorities of the internal audit activity, consistent with the organization's goals;</li> <li>3. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations as well as significant interim changes to senior management and the Audit Committee for review and approval;</li> </ol>	
<p>2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.</p>	<p><b>COMPLIANT</b></p>	<ol style="list-style-type: none"> <li>4. Spearheads the performance of the internal audit activities' performance relative to its plan; and</li> <li>5. Reports periodically to the Audit Committee and gives advice to the</li> </ol>	



		<p>senior management and the Board on how to improve internal processes.</p> <p><u>Internal Auditor</u></p> <ol style="list-style-type: none"> <li>1. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of governance and control processes in (i) promoting the right values and ethics; (ii) ensuring effective performance management and accounting in the organization; (iii) communicating risk and control information; (iv) coordinating the activities and information among the Board, external and internal auditors, and Management;</li> <li>2. Performs regular and special audit as contained in the audit plan;</li> <li>3. Performs consulting and advisory services related to governance and control as appropriate for the organization;</li> <li>4. Performs compliance audit of relevant laws, rules and regulations,</li> </ol>	
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		<p>contractual obligations and other commitments, which could have a significant impact on the organization;</p> <p>5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;</p> <p>6. Evaluates specific operations at the request of the Board or Management, as appropriate; and</p> <p>7. Monitors and evaluates governance processes.</p>	
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	<b>COMPLIANT</b>	<p>Please see pages 19 to 20 of the RCG.</p> <p>However, the internal audit of the company is done in-house. If this function is outsourced, there are measures in place to ensure that this is complied with.</p>	
<b>Recommendation 12.4</b>			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	<b>COMPLIANT</b>	Please see pages 21 to 24 of the RCG. This portion of the RCG deals with the establishment of a Risk Oversight Committee as well as the Risk Management Systems of the Corporation.	
<b>Supplement to Recommendation 12.4</b>			



1. Company seeks external technical support in risk management when such competence is not available internally.	COMPLIANT	Generally, the initial appreciation and understanding of risk is carried out by the Risk Oversight Committee according to the Risk Management System and Framework of the Corporation. These may be found in pages 21 to 26 of the RCG.	
Recommendation 12.5			
1. In managing the company’s Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	NON-COMPLIANT	Beginning the 2019 fiscal year, as a measure to avoid being top heavy, the Company has not appointed a Chief Risk Officer.	Instead of appointing a chief risk officer, the Company chose to make the Risk Oversight Committee carry more responsibilities, and pass on certain risk functions to other senior vice presidents of LFM.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	NON-COMPLIANT		
Additional Recommendation to Principle 12			
1. Company’s Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	COMPLIANT	Please refer to pages 18-19 and 34 - 36 of the RCG.  These may also be seen in the Statement of Management’s Responsibility for the Financial Statements that are submitted yearly with the audited financial statements, annual report, and definitive information statement of the Company.	
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	COMPLIANT	Please refer to pages 36-38 of the RCG which provides for the following:	



		<p><i>"[S]tockholders are accorded the following rights:</i></p> <ol style="list-style-type: none"> <li><i>1. Right to participate in the approval of material corporate acts;</i></li> <li><i>2. Right to propose holding of meetings and to include matters in the agenda ahead of the scheduled Annual and Special Stockholders' meeting, provided that proposal is given by the period stated and by a stockholder who possess the qualifications as stated in the notice of the meeting;</i></li> <li><i>3. Right to nominate candidates to the Board of Directors;</i></li> <li><i>4. Right to cause the removal of existing Directors in accordance with the grounds and procedures of existing laws;</i></li> <li><i>5. Right to be informed on the nomination and removal process;</i></li> <li><i>6. Right to be informed of the voting procedures that would govern the Annual or Special Stockholders' Meeting; and</i></li> <li><i>7. Right to inspect corporate records, provided that the request is reasonable as to time and substance; and</i></li> </ol>	
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		8. Other rights as may be provided for by law.”	
2. Board ensures that basic shareholder rights are disclosed on the company’s website.	<b>COMPLIANT</b>	Please see the company website at: <a href="http://www.libertygroup.com.ph/">http://www.libertygroup.com.ph/</a>	
<b>Supplement to Recommendation 13.1</b>			
1. Company’s common share has one vote for one share.	<b>COMPLIANT</b>	<p>Please see page 36 of the attached RCG and the By-laws of the corporation which states:</p> <p><i>“Voting upon all questions at the meeting of stockholders shall be by share of stock and not per capita”</i></p> <p>Furthermore, in practice, each share is entitled to one vote.</p>	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	<b>COMPLIANT</b>	Please refer to pages 36-39 of the attached RCG.	
3. Board has an effective, secure, and efficient voting system.	<b>COMPLIANT</b>	Please refer to pages 36-39 of the attached RCG.	
4. Board has an effective shareholder voting mechanisms such as supermajority or “majority of minority” requirements to protect minority shareholders against actions of controlling shareholders.	<b>NON-COMPLIANT</b>		There are no such mechanisms in place. Rather, the Company complies with and follows the voting percentages required by law, the corporate constitutional documents, and relevant laws and regulations.
5. Board allows shareholders to call a special shareholders’ meeting and submit a proposal	<b>COMPLIANT</b>	Please refer to pages 36-39 of the attached RCG.	



for consideration or agenda item at the AGM or special meeting.		Furthermore, the shareholders are allowed to call a meeting in accordance with the company's by-laws.	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	<b>COMPLIANT</b>	Please refer to pages 36-39 of the attached RCG.	
7. Company has a transparent and specific dividend policy.	<b>NON-COMPLIANT</b>	<p>The Company currently does not have a specific dividend policy guaranteeing the declaration of yearly dividends.</p> <p>However, such dividends made are provided for in the Annual Report.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p> <p>Furthermore, the dividends are all paid after declaration in accordance with the rules of the PSE.</p>	The Company sees wisdom in the business judgement of not providing for a set dividend policy. Given the uncertainty of the current business environment, especially in the fluctuation and high cost of wheat and freight, the Company foresees the need to keep a capital reserve.
<b>Optional: Recommendation 13.1</b>			



1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	<b>NON-COMPLIANT</b>	For the counting and verification of votes during the annual shareholders meeting, this is done by the Corporate Secretary, or in his or her absence by the assistant corporate secretary.	<p>The company believes that this does not have an effect on the checks and balances in the manner of voting, nor does it mean that meetings are conducted without integrity and with partiality.</p> <p>The Corporate Secretary and/or the Assistant Corporate secretary is tasked with the tabulation and verification of the votes since they are the custodians of the corporate records.</p>
<b>Recommendation 13.2</b>			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	<b>COMPLIANT</b>	<p>The agenda is made available to the public and shareholders through the PSE Edge and the release of the Definitive Information Statement.</p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p>	
<b>Supplemental to Recommendation 13.2</b>			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:			
a. The profiles of directors (i.e., age, academic qualifications, date of first	<b>COMPLIANT</b>	Please refer to the Information Statements filed with the Commission; and made	



<p>appointment, experience, and directorships in other listed companies)</p>		<p>available and disclosed though the Company's Website and on the PSE Edge.</p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p> <p>The <b>Notice of the Annual Stockholders Meeting</b> is available through the following:</p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=c9ba1064220f685cabca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=c9ba1064220f685cabca0fa0c5b4e4d0</a></p>	
<p>b. Auditors seeking appointment/re-appointment</p>	<p><b>COMPLIANT</b></p>	<p>Please refer to the Information Statements filed with the Commission; and made available and disclosed though the Company's Website and on the PSE Edge.</p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p>	



		<a href="https://edge.pse.com.ph/openDiscViewe&lt;br/&gt;r.do?edge_no=358c4b7d1a2131b2abca0f&lt;br/&gt;a0c5b4e4d0">https://edge.pse.com.ph/openDiscViewe r.do?edge_no=358c4b7d1a2131b2abca0f a0c5b4e4d0</a>	
c. Proxy documents	<b>COMPLIANT</b>	<p>Please refer to the Information Statements filed with the Commission; and made available and disclosed though the Company's Website and on the PSE Edge.</p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/Liberty-Flour-Mills-Inc._Definitive-Information-Statement-May82024.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewe&lt;br/&gt;r.do?edge_no=b299b3ca9b5ad2725d542&lt;br/&gt;af6f1e997b9">https://edge.pse.com.ph/openDiscViewe r.do?edge_no=b299b3ca9b5ad2725d542 af6f1e997b9</a></p>	
<b>Optional: Recommendation 13.2</b>			
1. Company provides rationale for the agenda items for the annual stockholders meeting	<b>COMPLIANT</b>	<p>Please refer to the Information Statements filed with the Commission; and made available and disclosed though the Company's Website and on the PSE Edge.</p> <p>The <b>Definitive Information Statement</b> is available through the following:</p> <p><a href="http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf">http://libertyflourmills.com/wp-content/uploads/2022/09/LFM-Sec-Form-20-IS-Definitive-2022.pdf</a></p>	



		<a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=358c4b7d1a2131b2abca0fa0c5b4e4d0</a>	
<b>Recommendation 13.3</b>			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	<b>COMPLIANT</b>	<p>The results of the Annual and Special Shareholder's meeting are duly disclosed and made available through the PSE Edge immediately after the meeting.</p> <p><b>Results of the 2023 Annual Stockholders' Meeting</b> available at:</p> <p><a href="#">Results of Annual or Special Stockholders' Meeting (pse.com.ph)</a></p>	
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	<b>COMPLIANT</b>	<p>The minutes of the meeting of the Company are made available at the company office.</p> <p>They are also made available through the company website at:</p> <p><a href="http://www.libertygroup.com.ph/meetings.html">http://www.libertygroup.com.ph/meetings.html</a></p>	
<b>Supplement to Recommendation 13.3</b>			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	<b>COMPLIANT</b>	The external auditor and officers are made to be present at the meetings to answer queries from the Shareholders.	



Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	NON-COMPLIANT	The Corporation does not have an alternate dispute mechanism administered by the Corporation to resolve intra-corporate matters.	The Corporation believes that it is does not possess the necessary knowledge or expertise to facilitate and engage in formal dispute resolution. The proper parties to carry on these acts are those that are appropriately authorized and qualified by laws or regulations.
2. The alternative dispute mechanism is included in the company’s Manual on Corporate Governance.	NON-COMPLIANT		However, while a formal body is absent, the Corporation endeavors to act as a mediator and prefers amicable settlement to afford peace within the company and to be less of a burden to the judicial and quasi-judicial bodies of the government.
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	NON-COMPLIANT	<p>The Company makes the Chairman and President available to the public for any questions, comments, or suggestions, further displaying the direct line which he can be contacted at.</p> <p><b>JOHN CARLOS UY or SANDRA JUDY UY (632) 8925011</b></p>	<p>The Company believes that it is not necessary to establish an Investor Relations Office to sufficiently and competently answer shareholder concerns and to engage with them.</p> <p>The Company adopt a policy of open communication with top management.</p>
2. IRO is present at every shareholder’s meeting.	COMPLIANT	As mentioned above, the Company does not have an IRO, rather it adopts an open door policy.	Further to the open door policy, the stockholders are free to engage with the Chairman, President, and other corporate officers during the Annual Meeting and other stockholder meetings.
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective	NON-COMPLIANT	There is no specific policy against such however, in practice, shareholders are	The Company does not have nor implement an anti-takeover measures. Given its nature



management or the existing controlling shareholder group		given the opportunity to recommend to the Corporation persons who they wish to be nominees to the Board of Directors. The Board of Directors, in turn, is the entity that appoints senior management.	as a listed company, parties are free to purchase their shares from the market, and there are safeguards provided by the Securities Regulation Code mandating compliance with requirements in the event of a corporate takeover (such as the tender offer requirements).
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	<b>COMPLIANT</b>	<p>Please see the relevant Public Ownership Report disclosures on the PSE Edge which show that the public float is at least 40%.</p> <p>The latest <b>Public Ownership Report</b> for the 2023 Compliance Period may be found through the following link:</p> <p>1<sup>st</sup> Quarter:  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=3c515523738b64999e4dc6f6c9b65995">https://edge.pse.com.ph/openDiscViewer.do?edge_no=3c515523738b64999e4dc6f6c9b65995</a></p> <p>2<sup>nd</sup> Quarter:  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=88f2e2b467321b859e4dc6f6c9b65995">https://edge.pse.com.ph/openDiscViewer.do?edge_no=88f2e2b467321b859e4dc6f6c9b65995</a></p> <p>3<sup>rd</sup> Quarter:  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=1a2b8bea4d9e8af59e4dc6f6c9b65995">https://edge.pse.com.ph/openDiscViewer.do?edge_no=1a2b8bea4d9e8af59e4dc6f6c9b65995</a></p> <p>4<sup>th</sup> Quarter:  <a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=5e0f40d8bc02f533abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=5e0f40d8bc02f533abca0fa0c5b4e4d0</a></p>	



<b>Optional: Principle 13</b>			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	<b>COMPLIANT</b>	Please refer to pages 36-38 of the RCG.  Furthermore, the Company always makes at least one (1) director available in addition to its officers to communicate and respond to any query that any shareholder may have.	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.	<b>COMPLIANT</b>	Currently, the Company has not adopted any electronic voting mechanism. Votes are either cast in person or by proxy.	
<b>Duties to Stakeholders</b>			
<b>Principle 14:</b> The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
<b>Recommendation 14.1</b>			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	<b>COMPLIANT</b>	Please refer to pages 38-41 of the attached RCG.	
<b>Recommendation 14.2</b>			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	<b>COMPLIANT</b>	Please refer to pages 38-41 of the attached RCG.	
<b>Recommendation 14.3</b>			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	<b>COMPLIANT</b>	Please refer to pages 38-41 of the attached RCG.	
<b>Supplement to Recommendation 14.3</b>			



1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	<b>NON-COMPLIANT</b>	<p>The Corporation does not have an alternate dispute mechanism administered by the Corporation to resolve differences with key stakeholders.</p> <p>However, the Corporation, as a rule, will always resort to Alternative Dispute Resolution.</p>	<p>The Corporation believes that it does not possess the necessary knowledge or expertise to facilitate and engage in formal dispute resolution. The proper parties to carry on these acts are those that are appropriately authorized and qualified by laws or regulations.</p> <p>However, while a formal body is absent, the Corporation endeavors to act as a mediator and prefers amicable settlement to afford peace within the company and to be less of a burden to the judicial and quasi-judicial bodies of the government.</p>
<b>Additional Recommendations to Principle 14</b>			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	<b>COMPLIANT</b>	The Company has not sought exemption and remains compliant with the relevant laws, rules, and regulations.	
2. Company respects intellectual property rights.	<b>COMPLIANT</b>	The Company ensures that it, always, remains mindful of ensuring compliance with intellectual property rights of third parties.	
<b>Optional: Principle 14</b>			
1. Company discloses its policies and practices that address customers' welfare	<b>COMPLIANT</b>	Please see pages 38-39 of the RCG.	



2. Company discloses its policies and practices that address supplier/contractor selection procedures	<b>COMPLIANT</b>	Please see pages 39 of the RCG.	
<b>Principle 15:</b> A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
<b>Recommendation 15.1</b>			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	<b>COMPLIANT</b>	Please refer to pages 40-41 of the attached Code of Corporate Governance.	
<b>Supplement to Recommendation 15.1</b>			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	<b>COMPLIANT</b>	Please refer to pages 40-41 of the attached Code of Corporate Governance.	
2. Company has policies and practices on health, safety and welfare of its employees.	<b>COMPLIANT</b>	Please refer to pages 40-41 of the attached Code of Corporate Governance.	
3. Company has policies and practices on training and development of its employees.	<b>COMPLIANT</b>	Please refer to pages 40-41 of the attached Code of Corporate Governance.	
<b>Recommendation 15.2</b>			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	<b>COMPLIANT</b>	Please refer to page 31 of the RCG where LFM adopts a <i>zero-tolerance policy</i> for acts of bribery and corruption	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	<b>COMPLIANT</b>	Generally, the means of dissemination of company policies and programs is through the release official internal memos to different departments of the Company.	



		However, if a more in-depth discussion is needed, the relevant Directors and officers meet with the concerned departments.	
<b>Supplement to Recommendation 15.2</b>			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	<b>COMPLIANT</b>	Please refer to the Anti-Corruption Policy, found in page 32 of the RCG, which states:  <i>“Violations of this Policy shall be penalized with a one (1) year suspension without pay or outright termination and dismissal from LFM, without prejudice to the filing of the relevant criminal and/or administrative charges.”</i>	
<b>Recommendation 15.3</b>			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	<b>COMPLIANT</b>	Please refer to page 33 of the RCG which provides the <i>Whistleblowing Policy</i> or the Corporation.  In sum this policy any whistleblower may submit a written report to the Compliance Officer or the Lead Independent Director of any alleged grievance. The whistleblower may also request for a face-to-face meeting with the Compliance Officer, Lead Independent Director, Audit Committee or Head Internal Auditor, at the whistleblower’s comfort and preference.	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	<b>COMPLIANT</b>		
3. Board supervises and ensures the enforcement of the whistleblowing framework.	<b>COMPLIANT</b>	Every report shall be acted promptly and expediently and in no case, unless the circumstances justify, shall any report be	



		immediately discarded without the conduct of an investigation leading to a satisfactory conclusion that the acts being alleged did not take place. Furthermore, all reports made, and face-to-face meetings conducted shall be treated with the strictest confidence, and no disclosure shall be made except when deemed necessary by the Lead Independent Director.	
<b>Principle 16:</b> The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
<b>Recommendation 16.1</b>			
1. Company recognizes and places importance on the interdependence between business and society and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	<b>COMPLIANT</b>	Please see the Annual Report submitted to the Commission; and disclosed and made available through the PSE Edge and company website.	
<b>Optional: Principle 16</b>			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	<b>COMPLIANT</b>	<p>Please see the Annual Report submitted to the Commission; and disclosed and made available through the PSE Edge and company website.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-</a></p>	

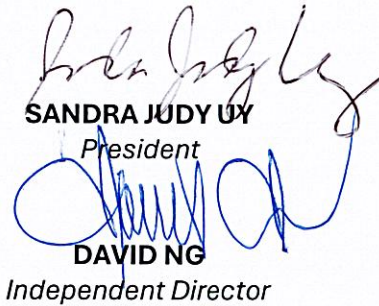
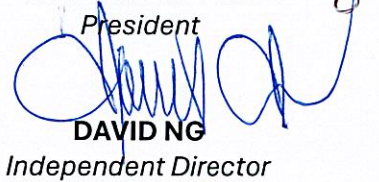


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2. Company exerts effort to interact positively with the communities in which it operates	<b>COMPLIANT</b>	<p>Please see the Annual Report submitted to the Commission; and disclosed and made available through the PSE Edge and company website.</p> <p>The <b>Annual Report</b> is available through the following:</p> <p><a href="http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf">http://libertygroup.com.ph/wp-content/uploads/2024/05/1.-2023-LFM_SEC-17A-ANNUAL-REPORT_MAIN-PAGE-F.pdf</a></p> <p><a href="https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0">https://edge.pse.com.ph/openDiscViewer.do?edge_no=dc9efa70a008f3a2abca0fa0c5b4e4d0</a></p>	



  
**JOHN CARLOS UY**  
Chairman

  
**JOSE A. FERIA, JR.**  
Independent Director

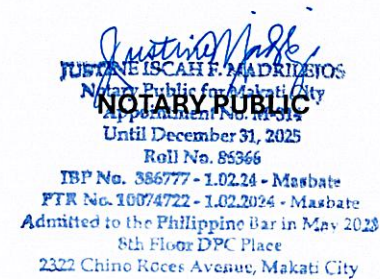
  
**SANDRA JUDY UY**  
President  
  
**DAVID NG**  
Independent Director

  
**MARIA ELISA G. LEDESMA**  
Compliance Officer & Assistant Corporate Secretary

**THIS DOCUMENT** was personally subscribed and sworn to by the affiant before me this 30 MAY 2024 day of May 2023 in Makati City. Affiant, who are personally known to me, avowed under penalty of law to the whole truth of the contents of the foregoing document and exhibited the following evidence of identity:

NAME	IDENTIFICATION DOCUMENT PRESENTED
JOHN CARLOS UY	TIN 123-204-149
SANDRA JUDY UY	TIN 212-186-898
MARIA ELISA G. LEDESMA	TIN 134-319-308
JOSE A. FERIA, JR.	TIN 107-793-449
DAVID NG	TIN 119-867-317

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Page No. 8 ;  
Book No. I ;  
Series of 2024.

  
**JUSTINE ISCAH F. MADRIJIJOS**  
Notary Public for Makati City  
Appointment No. 10314  
**NOTARY PUBLIC**  
Until December 31, 2025  
Roll No. 85366  
IBP No. 386777 - 1.02.24 - Masbate  
PTR No. 16074722 - 1.02.2024 - Masbate  
Admitted to the Philippine Bar in May 2023  
8th Floor DPC Place  
2322 Chino Roces Avenue, Makati City





# CODE OF

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# CORPORATE

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# GOVERNANCE

2020



# CODE OF CORPORATE GOVERNANCE

*Liberty Flour Mills, Inc.*

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# CORPORATE GOVERNANCE POLICY AND FRAMEWORK

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## POLICY

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

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

## FRAMEWORK

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

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

## MISSION

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

## VISION

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



## BOARD OF DIRECTORS

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### Composition

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

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

### Term

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

### Qualifications

A Director shall have the following qualifications:

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



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## Nomination and Election of Board of Directors

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

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

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

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

## Board Diversity

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

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

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



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

## **Duties and Norms of Conduct of the Board of Directors**

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

### **Duties and Norms of Conduct of the Board as a Body**

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

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



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

## **Duties and Norms of Conduct of a Director**

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

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



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

## **Deliverables of the Board of Directors**

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

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



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## Onboarding and Training of Directors

### Onboarding of Directors

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

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

### Training of Directors

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

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

## Appraisal, Assessment, and Evaluation of Board Members

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

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



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

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

## **Disqualifications and Causes for Removal**

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

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

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

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



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

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

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

## Leadership and Assistance

### Chairperson of the Board

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



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

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

The Chairperson shall have the following duties and responsibilities:

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

## **Corporate Secretary**

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

The Corporate Secretary shall have the following duties and responsibilities:

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



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

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

## **Compliance Officer**

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

The Compliance officer shall have the following duties and responsibilities:

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



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

## Board Independence

### Non-Executive Directors

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

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

### Independent Directors

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

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

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

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



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



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

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

## **Term Limits for Independent Directors**

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

## **Lead Independent Director**

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

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

## **Board Meetings and Attendance**

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

## **Directorship in Other Companies**

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

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



## BOARD COMMITTEES

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### Rationale for Establishing Committees

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

### Executive Committee

#### Rationale for Creation

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

#### Composition and Qualifications

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

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

#### Duties and Responsibilities

The Executive Committee shall have the following duties and responsibilities:

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

### Audit Committee

#### Rationale for Creation

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



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

## **Composition and Qualifications**

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

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

## **Duties and Responsibilities**

The Audit Committee shall have the following Duties and Responsibilities:

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



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

## **Audit Committee's Oversight of the External Auditor**

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



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

## **Audit Committee's Related Party Transaction Function**

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

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

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



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

## **The Internal Auditor**

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

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



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

## **Chief Auditor**

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

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

## **Nominations Committee**

### **Rationale for Creation**

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

### **Composition and Qualifications**

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

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

### **Duties and Responsibilities**

The Nominations Committee shall have the following Duties and Responsibilities:



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

## **Nomination Committee's Corporate Governance Function**

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

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

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



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

## Remuneration Committee

### Rationale for Creation

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

### Composition and Qualifications

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

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

### Duties and Responsibilities

The Remuneration Committee shall have the following Duties and Responsibilities:

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

### Remuneration Philosophy

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

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



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

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

## **Risk Oversight Committee**

### **Rationale for Creation**

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

### **Composition and Qualifications**

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

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

### **Duties and Responsibilities**

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

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



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

## DISCLOSURE AND TRANSPARENCY

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

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

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

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



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

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

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

## INTERNAL CONTROLS AND RISK MANAGEMENT FRAMEWORK

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### **Risk Management System/ Framework**

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

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

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



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## Credit Risk

### Exposure

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

### Risk Management Policy

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

### Risk Assessment, Monitoring, and Measurement

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

## Commodities Risk

### Exposure

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

### Risk Management Policy

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

### Risk Assessment, Monitoring, and Measurement

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



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## Equity Price Risk

### Exposure

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

### Risk Management Policy

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

### Risk Assessment, Monitoring, and Measurement

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

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

## Interest Rate Risk

### Exposure

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

### Risk Management Policy

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

### Risk Assessment, Monitoring, and Measurement

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

## Liquidity Risk

### Exposure

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



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## **Risk Management Policy**

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

## **Risk Assessment, Monitoring, and Measurement**

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

## **Internal Audit Charter**

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### **Internal Audit Charter**

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

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

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

### **Policy Statement**

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

### **Purpose of the Internal Audit**

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



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

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

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

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

## **Responsibilities**

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

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



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

## **Authority and Independence**

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



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

## EXTERNAL AUDIT

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

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

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

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

## CODE OF BUSINESS CONDUCT AND ETHICS

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### Conflict of Interest

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

### Conduct of Business and Fair Dealings

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



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## Receipt of Gifts from Third Parties

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

## Anti-Corruption

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

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

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

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

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

## Compliance with Laws & Regulations

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

## Respect of Trade Secrets/ Use of Non-Public Information

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



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

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

## **Use of Company Funds and Assets**

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

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

## **Employment Practices**

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

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

## **Disciplinary Actions**

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

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

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

## **Whistleblower Policy**

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



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

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

## **Conflict Resolution**

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

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

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

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

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

## **RELATED PARTY TRANSACTIONS**

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Please see the Material Related Party Transaction Policy of the Company at the following URL: [http://www.libertygroup.com.ph/pdf/Related\\_Party\\_Transactions\\_Policy\\_2019.pdf](http://www.libertygroup.com.ph/pdf/Related_Party_Transactions_Policy_2019.pdf)



## MANAGEMENT

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### Establishing a Management Team

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

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

### President

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

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



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

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

## **Treasurer**

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

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

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



## SYNERGY WITH STOCKHOLDERS

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### Policy of Promotion of Shareholder Rights

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

### Shareholder Rights

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

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

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

In addition, the stockholders are accorded the following rights:

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



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

## **Stockholder Participation**

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

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

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

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

## **Summary of The Treatment of Shareholders/Minority Shareholders**

The Board is transparent and fair in the conduct of the annual and special stockholder's meetings of the Company. The stockholders are encouraged to personally attend the meetings. If they cannot attend, they are 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. Furthermore, any doubt regarding the validity of a proxy is resolved in the stockholder's favor.

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



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

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

## DUTIES AND RESPONSIBILITY TO STAKEHOLDERS

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### Declaration of Policy

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

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

### Customer Welfare

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

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

### Supplier and Contractors

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



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

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

## **Environmentally and Socially Friendly Value Chain**

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

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

## **Community Interaction**

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

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

## **Employee Welfare**

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

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



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

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

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

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

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

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

## **Internal Breaches and Sanctions**

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