

# COVER SHEET

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S.E.C. Identification No.

**PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

(Company's Full Name)

**Km. 29 National Road, Tunasan, Muntinlupa City**

(Business Address: No. Street City/Town/Province)

**Ma. Rosario C.Z. Nava**

Contact Person

**750-9687**

Company Telephone Number

1	2
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Month  
Fiscal Year

3	1
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Day

**Advisement Letter replying to  
SEC's comments on ACGR for 2012**

FORM TYPE

**Last Friday of  
May**

Month Date  
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Article Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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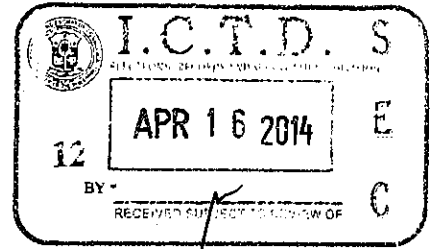


**PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

Km. 29 National Road, Tunasan, Muntinlupa City 1773 Philippines  
Tel. No.: (632) 850-7901 Fax No.: (632) 850-7928  
Website : www.pepsiphilippines.com

28 March 2014

**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills  
Mandaluyong City, Metro Manila



Attention: Ms. Justina F. Callangan  
*Acting Director*  
Corporate Governance and Finance Department

Re: Changes to Annual Corporate Governance Report (ACGR)  
of Pepsi-Cola Products Philippines, Inc. (PCPPI) for 2012 /  
Submission of Amended ACGR of PCPPI for 2012

Dear Ms. Callangan:

Pursuant to your directive to address the comments of the Securities and Exchange Commission (“Commission”) on the Annual Corporate Governance Report (“ACGR”) of Pepsi-Cola Products Philippines, Inc. (“Corporation”) as stated in your letter dated 20 February 2014, and in compliance with the requirements of SEC Memorandum Circular No. 1, Series of 2014, we submit this advisement letter notifying you of the changes made to the Corporation’s ACGR (with underscoring) or explanations where appropriate, to address the Commission’s comments, as approved by the Corporation’s Board of Directors on this date:

- 1. Part A. 1.) (d) (i)
  - (i) Directorship in the Company’s Group<sup>1</sup>

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

Director’s Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
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<sup>1</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.



## 2. Part A. 6) (a)

Upon the director's election, he is made aware of his obligations, duties and responsibilities under the Corporation Code, the SRC, the Articles of Incorporation and By-Laws of the Corporation, the Manual, and relevant regulations of the Philippine Stock Exchange ("PSE") through an internal memorandum sent by the Corporate Secretary and Compliance Officer in behalf of the Board. The internal memorandum discusses the disclosure obligations specific to the Corporation, certain beneficial owners or shareholders, its directors and officers under relevant provisions of the SRC and PSE Disclosure Guidelines for Listed Companies. The directors are also furnished appropriate material by email from time to time on the structure and composition of the Corporation's Board including its committees, its procedures, their duties and responsibilities as members of the Board and Board committees, as well as provisions of the Manual and other corporate governance policies of the Corporation. Since most of the Corporation's directors are non-executive, based overseas, and travel heavily for work, the Corporation adapts to the situation by choosing to maximize the use of technology in disseminating information over having the directors attend a physical session or orientation in the Philippines. Nonetheless, the directors are encouraged by the Corporation to update themselves continually on evolving trends, standards and best practices on corporate governance by their regular attendance at seminars. The Corporation is committed to provide the appropriate support for such initiatives.

## 3. Part A. 6) (b)

<b>Name of Director/Officer</b>	<b>Date of Training</b>	<b>Program</b>	<b>Name of Training Institution</b>
<u>Oscar S. Reyes</u>	<u>10 August 2012</u>	<u>Corporate Responsibility in the Changing Global Landscape</u>	<u>Keith T. Darcy, Executive Director Ethics and Compliance Officer Association (ECO)</u>
	<u>8 December 2011</u>	<u>Board Governance Responsibilities: Risks, Culture and Leadership conducted by PLDT's CG education program together with Global Compliance Services, Inc. 13950 Ballantyne Corp Place, Suite 300 Charlotte, NC 28277</u>	<u>Mr. Steven John Priest, Senior Advisor, held at First Pacific Company's Board Room, 24<sup>th</sup> Floor, Two Exchange Square, Central, Hong Kong</u>

		<u>US</u>	
	<u>14 December 2010</u>	<u>Board of Directors Fiduciary Duties and Role in Relation to ERM: Best Practices in Dealing with the Agency Dilemma and Setting a Company's Risk Appetite</u>  <u>PLDT's CG Education Program with Asia Risk Management Institute (ARiMI), 9 Penang Road, #12-01, Park Mall, Singapore</u>	<u>Mr. Mark Ronez, Managing Director – AriMI, held at the Marikina and Mandaluyong Rooms, the Lighthouse, 14<sup>th</sup> Floor, Lopez Building, Meralco, Pasig City</u>
<u>Rafael M. Alunan III</u>	<u>March 2014</u>	<u>Discussion on ASEAN Corporate Governance scorecard</u>	<u>Sun Life Philippines</u>
	<u>June 2010</u>	<u>Executive leadership course</u>	<u>Harvard Kennedy School of Government</u>
<u>Celerino T. Grecia III</u>	<u>3, 5 and 6 March 2010</u>	<u>Mandatory Continuing Legal Education</u>	<u>ChanRobles LawNet, Inc.  (a Supreme-Court accredited MCLE provider)</u>
	<u>23 and 24 June 2010</u>	<u>Best Practices in Corporate Housekeeping</u>	<u>Center for Global Best Practices, EDSA Shangri-la Hotel, Mandaluyong City</u>
	<u>13 and 14 May 2010</u>	<u>Best Practices in Crafting HR Policies and Contracts</u>	<u>Center for Global Best Practices, EDSA Shangri-la Hotel, Mandaluyong City</u>
<u>Ma. Rosario C. Z. Nava</u>	<u>9 December 2010</u>	<u>Annual Listing and Disclosure Rules seminar conducted by the PSE</u>	<u>Romulo Lounge, Tower One, Exchange Plaza, Ayala Triangle, Ayala Avenue</u>

	<u>13 November 2009</u>	<u>SEC Revised Code of Corporate Governance</u>	<u>EDSA Shangri-la Hotel, Mandaluyong City</u>
	<u>19, 20, 26 and 27 March 2010</u>	<u>Mandatory Continuing Legal Education</u>	<u>Legis Forum Architectural Center Club, Inc., 6082 Palma Street corner Rockwell Drive, Makati City</u>
	<u>4, 11, 18 and 25 August 2012</u>	<u>Mandatory Continuing Legal Education</u>	<u>Legis Forum Architectural Center Club, Inc., 6082 Palma Street corner Rockwell Drive, Makati City</u>

## 4. Part A. 6) (c)

<b>Name of Director/Officer</b>	<b>Date of Training</b>	<b>Program</b>	<b>Name of Training Institution</b>
<u>Oscar S. Reyes</u>	<u>2 December 2013</u>	<u>Ethics and Governance Failures in the Past (Board Responsibility)</u>	<u>Winthrop Swenson Compliance System Legal Group Makati Shangri-la</u>
	<u>26 November 2013</u>	<u>Handling Ethical Dilemmas: Tools and Techniques</u>	<u>Gretchen A. Winter Center for Professional Responsibility in Business and Society Meralco Theater</u>
<u>Rafael M. Alunan III</u>	<u>Attending monthly, quarterly and annual fora/conferences as Fellow, ICD</u>	<u>Corporate Governance</u>	<u>Institute of Corporate Directors (ICD)</u>
	<u>1, 2, 7, 8, 18 &amp; 19 March 2010</u>	<u>Professional Directors Program</u>	<u>ICD</u>
	<u>25 March 2010</u>	<u>Public Governance Forum</u>	<u>Institute for Solidarity in Asia (ISA), Dusit Thani Hotel Manila</u>

	<u>22-23 September 2010</u>	<u>Public Governance Forum</u>	<u>ISA, Sofitel Philippine Plaza Hotel</u>
	<u>23 March 2011</u>	<u>Public Governance Forum</u>	<u>ISA, Sofitel Philippine Plaza Hotel</u>
	<u>11 October 2011</u>	<u>Public Governance Forum</u>	<u>ISA, Mandarin Oriental Hotel Manila</u>
	<u>27 June 2012</u>	<u>Shareholder Activism: The Singapore Experience by David Gerald</u>	<u>ICD, Dusit Thani Hotel Manila</u>
	<u>10 August 2012</u>	<u>Global Trends on Ethics, Governance and CSR by Keith Darcy</u>	<u>ICD, Tower Club, Makati</u>

## 5. Part B. 6)

	<b>Alternative Dispute Resolution System</b>
<b>Corporation &amp; Stockholders</b>	<p><u>For those affecting the Corporation and its shareholders, the Corporation has established an Investor Relations Office headed by the Corporation's CFO. This office addresses concerns and issues of investors and shareholders in coordination with the Office of the Corporate Secretary.</u></p> <p><u>For those affecting the Corporation and third parties, the Corporation has created a Corporate Affairs and Communications Office headed by a Vice-President, which handles all concerns of other stakeholders, including the community.</u></p> <p><u>For those affecting the</u></p>
<b>Corporation &amp; Third Parties</b>	
<b>Corporation &amp; Regulatory Authorities</b>	

<b>Alternative Dispute Resolution System</b>	
<p><u>Corporation and regulatory authorities, the Corporation's Legal Department headed by a Senior Vice-President ably addresses all such issues and concerns. The Corporation complies with all relevant laws, rules and regulations of regulatory authorities in the operation of its business and, in relation thereto, the resolution of issues between the Corporation and its regulators. The Corporation has adopted the policy of pro-actively engaging relevant Government agencies in resolving issues affecting the Corporation and the agencies concerned.</u></p>	

## 6. Part C. 3)

Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? Owing to the fact that, as explained in Part A. 6)(a), most of the Corporation's non-executive directors are based overseas and travel heavily for work, they come to the Philippines only to attend the regular Board meetings and Board committee meetings of the Corporation held here. Due to time constraints while in the Philippines, there are no formal meetings of non-executive directors that take place without the presence of any of the Corporation's executives. However, it is usual for non-executive directors to have informal meetings or conferences in smaller groups before the regular Board meetings without any executive or member of Management present.

## 7. Part E. 2) (e)

No change in the existing response – N/A.

Explanation: The Corporation's amended Articles and By-laws provide for only four (4) standing committees, namely, the Executive Committee, the Audit Committee, the Nomination Committee, and the Compensation and Remuneration Committee. The reference to "Management Committee" in Part F. 3) (c) was supposed to have read as "management team." Please see the amendment to that section as shown in item no. 10 below. We regret the oversight.

## 8. Part F. 3) (a)

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
The Philippine economy and competitive environment of the beverage market	<p>The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.</p> <p><u>For key risks, there is annual risk identification done through risk and control assessment. With respect to specific activities to manage and control risk, the Company does the following: (i) interview with risk owner/s; (ii) filtering of risks; (iii) risk rating and ranking; (iv) assignment of risk owner/s; and (v) monitoring and reporting by the risk owner/s.</u></p>	

## 9. Part F. 3) (b)

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<p>Similar to the Company's control systems assessment, management and control.</p> <p><u>For key risks, there is annual risk identification done through risk and control assessment. With respect to specific activities to manage and control risk, the Company does the following: (i) interview with risk owner/s; (ii) filtering of risks; (iii) risk rating and ranking; (iv) assignment of risk owner/s; and (v) monitoring and reporting by the risk owner/s.</u></p>		

## 10. Part F. 3) (c)



Committee/Unit	Control Mechanism	Details of its Functions
		<p>The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework, <u>including the development of its risk management policies.</u></p> <p>The <u>Company's management team</u> is responsible for <u>implementing</u> and monitoring the <u>implementation of the Company's risk management policies as set by the Board.</u> The <u>management team</u> identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.</p> <p>The Audit Committee performs oversight over financial management and internal control, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The BOD is assisted in the oversight role by the Internal Audit. Internal Audit undertakes both regular and <i>ad hoc</i> reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.</p>

## 11. Part H. 3) (a)

In accordance with the laws and regulations, the Company is committed to providing a safe and healthy work environment and dedicated to designing, constructing, maintaining and operating facilities that protect its employees and physical resources. The Company abides by regulatory requirements on health and safety including health and wellness, health risk management, monitoring of health performance and reporting of incidences and investigation, drug and alcohol testing and medical clearance as conditions for fitness to work, the provision for an infirmary or other local health facility in the work premises and other facilities to address or respond to various medical emergencies.

The Company has an integrated approach to maintaining health, wellness and safety in the workplace. The Company encourages and at times sponsors sports tournaments and activities to help keep its employees fit and maintain good health.

The safety of its employees is also of paramount importance to the Company. It implements programs such as safety visits to its plants, regular fire drills, and earthquake-preparedness programs.

The Company keeps employees highly engaged and empowered by their participation in programs such as the PCPPI Annual Summit, the Speak-Up Line Unit, town hall meetings and other venues during which they can freely talk to their leaders. Employees are encouraged to give feedback and suggestions to the management team, which further promotes employee empowerment, accountability, and ownership of their work.

## 12. Part H. 3) (b)

The Company's production facilities maintain good manufacturing practices manuals which prescribe, among others, the procedures for compliance with safety standards and practices, including the use of personal protection equipment. Regular audits are

conducted at the Company's production facilities to determine their compliance with the good manufacturing practices manual.

The Company also conducts/practices activities as part of its prevention and control measures against work safety and health hazards such as:

Safety:

- Posting of safety signages or warnings
- Worker's orientation on safety and health hazards at work and training on emergency preparedness
- Installation of machine guards on moving parts/equipment
- Emergency response preparedness program
- Monitoring and control of safety/health hazards
- Dissemination of information materials on safety and health
- Trainings on safety and health for officers and workers
- Adoption of policy on random drug testing procedures, smoking control policies
- Adoption of measures to control the effect of works safety and health hazards including engineering control, and use of personal protective equipment
- Walk-around inspection
- Motor vehicle safety program conducted for key employees and contractors
- Emergency management
- Provision and maintenance of safety equipment: fire extinguishers (through monthly inspections), emergency light, sprinklers, smoke detectors and fire exits

Health and Wellness:

- Wellness programs held: badminton games, dance/aerobics; participation in fun run activities
- Annual physical examination and medical consultations done; over the counter medicines provided
- Provision of clinic and occupational physician
- Vaccination program held

The Company performed creditably in a Towers Watson survey conducted among the Company's employees on the subject of occupational safety and health management practices.

13. Part H. 3) (c)

The Company is committed to the professional development of its employees. Training programs and other developmental interventions are implemented to enable employees to acquire the technical and/leadership competencies to effectively perform their jobs and for their professional growth. Learning & development initiatives are delivered using the 70-20-10 framework: 70% on the job learning, 20% from coaching and feedback and

10% formal training. Orientation programs on the Company's policies and procedures are provided to new employees.

The following trainings and development programs were conducted in 2013:

<u>Programs</u>	<u>No. of Participants</u>
<u>Consumer Concern Handling Program</u>	<u>34</u>
<u>Customer Demand &amp; Forecasting</u>	<u>10</u>
<u>Effective Business Writing Workshop</u>	<u>58</u>
<u>Effective Presentation Skills Workshop</u>	<u>71</u>
<u>Employee Motivation &amp; Discipline</u>	<u>10</u>
<u>Excel Training</u>	<u>123</u>
<u>Field Coaching &amp; Motivation</u>	<u>10</u>
<u>Finance Summit</u>	<u>105</u>
<u>Finance People Management and Development Program</u>	<u>5</u>
<u>Transition to Effective Managing</u>	<u>5</u>
<u>Fundamentals In Strategic HR Workshop</u>	<u>24</u>
<u>Handheld with S&amp;D/TUES Workshop</u>	<u>10</u>
<u>In-Plant Sensory &amp; CIP Optimization Workshop</u>	<u>23</u>
<u>LIFO Conference</u>	<u>135</u>
<u>Executive MBA Program</u>	<u>19</u>

14. Part I. 2) (j)

Explanation: Prior to the issuance of SEC Memorandum Circular No. 5, Series of 2013 on 20 March 2013, the Corporation has been complying in a timely manner with the requirement to submit annually the Certification on Attendance of Directors in Board meetings ("Certification"). Our Certification for 2012 was submitted on 28 December 2012 and this was disseminated to the public by its uploading to the PSE OdiSy and the Company website.

To our knowledge, current regulations do not require the inclusion of information regarding attendance of directors in the Annual Report (SEC Form 17-A).

15. Part J. 1) (d) 24

Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: 25 May 2012; 31 May 2013

16. Part J. 1) (j) 2

Explanation: Although not stated in the Notice of Annual Stockholders' Meeting (ASM), the profiles of directors of the Corporation who are nominated for election/re-election are included in the Information Statement (SEC Form 20-IS) that always accompanies said Notice of ASM. Please refer to Part B, Item 5, pages 8 to 10 of the SEC Form 20-IS (Definitive) filed on 27 April 2012 (for the 2012 ASM) and on 26 April 2013 (for the 2013 ASM). We believe this should be sufficient to comply with existing regulations.

To our knowledge, current regulations do not require the inclusion of information regarding directors' individual profiles specifically in the Notice of the ASM.

17. Part J. 1) (j) 3

Explanation: Although not stated in the Notice of Annual Stockholders' Meeting (ASM), the identity of the audit firm or auditors for appointment or re-appointment by the Corporation in the ASM is included in the Information Statement (SEC Form 20-IS) that always accompanies said Notice of ASM. Please refer to Part B, Item 7, page 15 of the SEC Form 20-IS (Definitive) filed on 27 April 2012 (for the 2012 ASM) and the same item which appears on page 14 of the SEC Form 20-IS filed on 26 April 2013 (for the 2013 ASM). We believe this should be sufficient to comply with existing regulations.

To our knowledge, current regulations do not require the inclusion of information regarding the identity of the audit firm or auditors for appointment or re-appointment specifically in the Notice of the ASM.

18. Part J. 1) (j) 4

Explanation: Although not stated in the Notice of Annual Stockholders' Meeting (ASM), information on the Corporation's dividend policy is included in the Management Report accompanying the Information Statement (SEC Form 20-IS) that is filed together with said Notice of ASM. Please refer to page 4 of the Management Reports accompanying the SEC Form 20-IS (Definitive) filed on 27 April 2012 (for the 2012 ASM) and on 26 April 2013 (for the 2013 ASM). We believe this should be sufficient to comply with existing regulations.

To our knowledge, current regulations do not require the inclusion of information regarding the Corporation's dividend policy specifically in the Notice of the ASM.

19. Part M.

The Corporation expects to have in place a formal system of appraisal of the performance of the Board, Board committees, individual directors, and the CEO and President with appropriate approvals obtained therefor within the next two (2) years.

We trust that we have fully addressed your comments on the Corporation's ACGR for 2012.

Attached is the Corporation's Amended ACGR for 2012 as of 28 March 2014 incorporating the above changes. The Corporation's Amended ACGR for 2012 as of 28 March 2014 shall also be posted in the company website to fully comply with the requirements of SEC Memorandum Circular No. 1, Series of 2014.

Thank you.

Very truly yours,

**PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

By:

  
**OSCAR S. REYES**


---

*Chairman of the Board / Independent Director*

  
**YEON-SUK NO**


---

*Chief Executive Officer*

  
**PARTHA CHAKRABARTI**

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*President*

  
**RAFAEL M. ALUNAN III**

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*Independent Director*

  
**MA. ROSARIO C. Z. NAVA**

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*Compliance Officer*

# COVER SHEET

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S.E.C. Identification No.

**PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

(Company's Full Name)

**Km. 29 National Road, Tunasan, Muntinlupa City**

(Business Address: No. Street City/Town/Province)

**Ma. Rosario C.Z. Nava**

Contact Person

**750-9687**

Company Telephone Number

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Month Day  
Fiscal Year

3	1
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Day

**SEC Form - ACGR  
(Amended ACGR for 2012)**

FORM TYPE

**Last Friday of  
May**

Month Date  
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Article Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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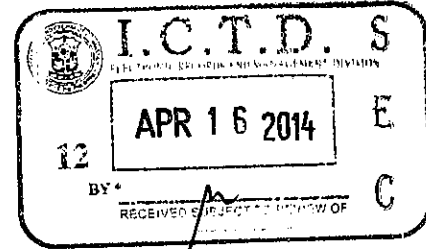
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

AMENDED ANNUAL CORPORATE GOVERNANCE REPORT  
(28 MARCH 2014)

GENERAL INSTRUCTIONS



**(A) Use of Form ACGR**

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

**(B) Preparation of Report**

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

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

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


**(D) Filing an Amendment**

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

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**AMENDED ANNUAL CORPORATE GOVERNANCE REPORT  
(28 MARCH 2014)**

1. Report is Filed for the Year **2012**
2. Exact Name of Registrant as Specified in its Charter **PEPSI-COLA PRODUCTS PHILIPPINES, INC.**
3. **Km. 29 National Road, Tunasan, Muntinlupa City** **1773**  
Address of Principal Office Postal Code
4. SEC Identification Number **0000160968**
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **000-168-541**
7. **(632) 887-3774**  
Issuer's Telephone number, including area code
8. **N/A**  
Former name or former address, if changed from the last report



## TABLE OF CONTENTS

<b>A. BOARD MATTERS.....</b>	<b>5</b>
1) BOARD OF DIRECTORS	
(a) Composition of the Board.....	5
(b) Corporate Governance Policy/ies.....	6
(c) Review and Approval of Vision and Vision.....	8
(d) Directorship in Other Companies.....	8
(e) Shareholding in the Company.....	9
2) CHAIRMAN AND CEO.....	10
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS	12
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	12
5) CHANGES IN THE BOARD OF DIRECTORS.....	15
6) ORIENTATION AND EDUCATION PROGRAM.....	22
<b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS.....</b>	<b>23</b>
1) POLICIES.....	23
2) DISSEMINATION OF CODE.....	24
3) COMPLIANCE WITH CODE.....	24
4) RELATED PARTY TRANSACTIONS.....	24
(a) Policies and Procedures.....	24
(b) Conflict of Interest.....	24
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	25
6) ALTERNATIVE DISPUTE RESOLUTION.....	26
<b>C. BOARD MEETINGS &amp; ATTENDANCE.....</b>	<b>26</b>
1) SCHEDULE OF MEETINGS.....	26
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	26
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	27
4) QUORUM REQUIREMENT .....	27
5) ACCESS TO INFORMATION.....	28
6) EXTERNAL ADVICE.....	29
7) CHANGES IN EXISTING POLICIES.....	30
<b>D. REMUNERATION MATTERS.....</b>	<b>30</b>
1) REMUNERATION PROCESS.....	30
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	30
3) AGGREGATE REMUNERATION .....	32
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	32
5) REMUNERATION OF MANAGEMENT.....	33
<b>E. BOARD COMMITTEES.....</b>	<b>33</b>
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	33
2) COMMITTEE MEMBERS.....	36
3) CHANGES IN COMMITTEE MEMBERS.....	40
4) WORK DONE AND ISSUES ADDRESSED.....	40
5) COMMITTEE PROGRAM.....	40
<b>F. RISK MANAGEMENT SYSTEM.....</b>	<b>41</b>
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	41
2) RISK POLICY.....	41
3) CONTROL SYSTEM.....	42

<b>G. INTERNAL AUDIT AND CONTROL.....</b>	<b>43</b>
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	43
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	44
(b) Appointment/Removal of Internal Auditor.....	44
(c) Reporting Relationship with the Audit Committee.....	44
(d) Resignation, Re-assignment and Reasons.....	44
(e) Progress against Plans, Issues, Findings and Examination Trends.....	45
(f) Audit Control Policies and Procedures.....	45
(g) Mechanisms and Safeguards.....	46
<b>H. ROLE OF STAKEHOLDERS.....</b>	<b>46</b>
<b>I. DISCLOSURE AND TRANSPARENCY.....</b>	<b>48</b>
<b>J. RIGHTS OF STOCKHOLDERS.....</b>	<b>50</b>
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	50
2) TREATMENT OF MINORITY STOCKHOLDERS.....	56
<b>K. INVESTORS RELATIONS PROGRAM.....</b>	<b>56</b>
<b>L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....</b>	<b>57</b>
<b>M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....</b>	<b>58</b>
<b>N. INTERNAL BREACHES AND SANCTIONS.....</b>	<b>58</b>

## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	9
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Actual number of Directors for the year	9
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Yeon-Suk No	ED	Lotte Chilsung Beverage Co., Ltd.	Lotte Chilsung Beverage Co., Ltd.	20 October 2010	25 May 2012	Annual	2
Partha Chakrabarti	ED	Quaker Global Investments B.V.	Quaker Global Investments B.V.	20 October 2010	25 May 2012	Annual	2
JaeHyuk Lee	NED	Lotte Chilsung Beverage Co., Ltd.	Lotte Chilsung Beverage Co., Ltd.	25 March 2011	25 May 2012	Annual	2
Choong Ik Lee	NED	Lotte Chilsung Beverage Co., Ltd.	Lotte Chilsung Beverage Co., Ltd.	21 February 2012	25 May 2012	Annual	1
Byoung Tak Hur	NED	Lotte Chilsung Beverage Co., Ltd.	Lotte Chilsung Beverage Co., Ltd.	21 February 2012	25 May 2012	Annual	1
Qasim Khan	NED	Quaker Global Investments B.V.	Quaker Global Investments B.V.	19 March 2008	25 May 2012	Annual	5
Vinod Rao	NED	Quaker Global Investments B.V.	Quaker Global Investments B.V.	19 June 2012	19 June 2012	Special Board Meeting	0
Rafael M. Alunan III	ID	N/A	Veronica G. De Jesus and Roberto S. Franco; no relationship with nominators	17 August 2007	25 May 2012 (1 year served as ID)	Annual	5
Oscar S. Reyes	ID	N/A	Veronica G.	7	25 May	Annual	5

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

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>a</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
			De Jesus and Roberto S. Franco; no relationship with nominators	September 2007	2012 (1 year served as ID)		

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

The Corporation's Manual on Corporate Governance ("Manual"), which was adopted on 21 June 2007, and revised on 14 April 2010 and again on 25 March 2011, details the standards by which the Corporation conducts sound corporate governance that is coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its stockholders.

The Manual reflects the principles of good corporate governance and best practices to which the Board, the Management, employees, and shareholders of the Corporation have committed themselves, acknowledging that the same may guide the attainment of their corporate goals. They adhere to the belief that corporate governance is a necessary component of what constitutes sound strategic business management and will undertake every effort to create awareness of the need and importance of good corporate governance within the organization. The Management shall review from time to time business processes and practices being performed within the departments and business units of the Corporation and shall propose appropriate revisions thereof to the Board for its approval in order to ensure consistency and compliance with the corporate governance principles embodied in the Manual.

Compliance with the principles of good corporate governance shall start with the Board which is primarily and ultimately responsible for the governance of the Corporation. While the Board sets the policies for the attainment of the corporate objectives, it shall also provide an independent check on the Management of the Corporation. To assist the Board in complying with the principles of good corporate governance, the Board has constituted and maintains three (3) standing committees apart from the Executive Committee, each charged with oversight into specific areas of its business activities. Compliance with the Manual's standards is monitored by the Corporation's Compliance Officer.

#### Stockholders' Rights and Protection of Minority Stockholders' Interests

The Board shall respect the rights of the stockholders of the Corporation as provided in the Corporation Code and subject to the qualifications made in the Corporation's Articles of Incorporation and By-Laws, namely:

- a. Right to vote on all matters that require their consent or approval;
- b. Right to inspect corporate books and records;
- c. Right to information;
- d. Right to dividends; and
- e. Appraisal right.

The Board should be transparent and fair in the conduct of annual and special stockholders' meetings of the Corporation. Subject to the requirements of the Corporation's By-Laws, the exercise of the stockholder's right to appoint a proxy shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

### Reportorial or Disclosure System of Corporation's Corporate Governance Policies

The reports or disclosures required under the Manual shall be prepared and submitted to the Securities and Exchange Commission ("SEC") by the responsible committee or officer through the Corporation's Compliance Officer.

All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes in ownership.

Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management, and corporate strategy, among others. .

All disclosed information shall be released via the approved stock exchange procedure for company announcements, as well as through the annual report.

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

### Board Responsibilities

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its corporate objectives and in the best interest of its stockholders. The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensive assessment of the Corporation's performance, position and prospects on a periodic basis through reports as may be required by law or regulation. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities and should formulate the Corporation's vision, mission, strategic objectives, policies, and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

In particular, the duties and functions of the Board are:

- a. Install a process of selection to ensure a mix of competent directors and officers;
- b. Provide sound strategic policies and guidelines on major capital expenditures of the Corporation;
- c. Establish programs that can sustain the Corporation's long-term viability and strength;
- d. Periodically evaluate and monitor the implementation of the abovementioned policies and strategies, including business plans, operating budgets and Management's overall performance;
- e. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- f. Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them;
- g. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation;
- h. Adopt a system of internal checks and balances;
- i. Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- j. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- k. Properly discharge Board functions by meeting at such times or frequency as may be needed. Independent views during Board meetings shall be encouraged and given due consideration and all such meetings shall be duly minuted;
- l. Formulate a policy that encourages alternative dispute resolution which can amicably settle conflicts or differences between the Corporation and its stockholders, and between the Corporation and third parties, including regulatory authorities; and
- m. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation.

For purposes of evaluating compliance with the Manual, the Corporation has adopted the self-rating form prescribed by the SEC. The Corporation has complied with its Manual through the election of two (2) independent directors to the Board; the constitution of the Audit Committee, Compensation and Remuneration Committee, and Nomination Committee pursuant to its By-laws, and the election of the Chairman and members of such committees, which include the independent directors; the conduct of regular meetings of the Board and the various committees of the Board abovestated; adherence to the written Code of Conduct prepared by the Corporation's Human Resources Department; and adherence to applicable accounting standards and disclosure requirements.

The Corporation adheres to a business plan, budget and marketing plan. Management prepares and submits to the Board, on a regular basis, financial and operational reports which enable the Board and the Management to assess the effectiveness and efficiency of the Corporation.

While the Corporation has fulfilled its corporate governance obligations and there has been no deviation from the Manual as of date, it continues to evaluate and review its Manual to ensure that best practices on corporate governance are being adopted.

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

The Board reviews and approves the vision and mission statements of the Corporation as often as required.

(d) Directorship in Other Companies

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

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

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
-		

(ii) Directorship in Other Listed Companies

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

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Oscar S. Reyes	Manila Electric Company	Executive
	Philippine Long Distance Telephone Company	Non-Executive
	Bank of the Philippine Islands	Independent
	Ayala Land, Inc.	Independent
	Manila Water Company Inc.	Independent
	Basic Energy Corporation	Independent
	Alcorn Gold Resources Corporation	Independent

(iii) Relationship within the Company and its Group

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

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Yeon-Suk No	Lotte Chilsung Beverage Co., Ltd.	Employment
JaeHyuk Lee	Lotte Chilsung Beverage Co., Ltd.	Employment
Choong Ik Lee	Lotte Chilsung Beverage Co., Ltd.	Employment
Byoung Tak Hur	Lotte Chilsung Beverage Co., Ltd.	Employment
Partha Chakrabarti	Quaker Global Investments B.V.	Employment with PepsiCo Inc., the ultimate parent of Quaker Global Investments B.V.
Qasim Khan	Quaker Global Investments B.V.	Employment with PepsiCo Inc., the ultimate parent of Quaker Global Investments B.V.
Vinod Rao	Quaker Global Investments B.V.	Employment with PepsiCo Inc., the ultimate parent of Quaker Global Investments B.V.

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

The Corporation has not expressly set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously. The Corporation does not expressly impose and observe the limit of five (5) board seats in other publicly listed companies.

However, the Nomination Committee is mandated under the Manual to determine the number of allowable directorships of the members of the Board taking into consideration (i) the nature of the business of the corporations where he is a director; (ii) the age of the director; (iii) the number of directorships/active memberships and officerships in other corporations or organizations; and (iv) possible conflict of interest. The optimum number shall be related to the capacity of a director to perform his duties diligently in general. The President and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

	Guidelines	Maximum Number of Directorships in other companies
<b>Executive Director</b>	Please refer to the above explanation. This is in consonance with the Revised Code of Corporate Governance. The adoption of guidelines on the number of directorships is not mandatory but only permissive.	
<b>Non-Executive Director</b>		
<b>CEO</b>		

- (e) Shareholding in the Company

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

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Oscar S. Reyes	1	N/A	Nil
Yeon-Suk No	1	N/A	Nil

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Partha Chakrabarti	1	N/A	Nil
JaeHyuk Lee	1	N/A	Nil
Choong Ik Lee	1	N/A	Nil
Byoung Tak Hur	1	N/A	Nil
Qasim Khan	1	N/A	Nil
Vinod Rao	1	N/A	Nil
Rafael M. Alunan III	1	N/A	Nil
<b>TOTAL</b>	<b>9</b>		<b>Nil</b>

2) Chairman and CEO

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

Yes  No

Identify the Chair and CEO:

Chairman of the Board	Oscar S. Reyes
CEO	Yeon-Suk No

(b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	a. By-Laws	a. By-Laws
Accountabilities	<ul style="list-style-type: none"> <li>- Preside at all meetings of the Board of Directors and Stockholders; and</li> <li>- To the extent required by law or regulation, designate a Compliance Officer who shall hold the position of a Vice-President or its equivalent.</li> </ul>	<ul style="list-style-type: none"> <li>- In charge of the general management of the business and affairs of the Corporation. Along with the senior management team reporting to him, he shall be fully responsible for the day-to-day operations of the business of the Corporation.</li> </ul>
Deliverables	<p><b>b. Manual</b></p> <ul style="list-style-type: none"> <li>- Ensure that the meetings of the Board are held in accordance with the Corporation's By-Laws or as the Chair may deem necessary;</li> <li>- Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the President, the Chief Executive Officer, Management, and the directors; and</li> <li>- Maintain qualitative and timely lines of communication and</li> </ul>	<ul style="list-style-type: none"> <li>- Develop the Annual Operating Plan ("AOP"), and present the AOP to the Executive Committee and Board of Directors for review and approval;</li> <li>- Be fully responsible for executing the AOP;</li> <li>- Charged with maximizing the Corporation's business results, identifying issues affecting its business, and developing and executing plans to enhance the Corporation's performance;</li> </ul>



	<b>Chairman</b>	<b>Chief Executive Officer</b>
	<p>information between the Board and the Management.</p>	<ul style="list-style-type: none"> <li>- Perform all such other duties as are incident to his office or are properly required of him by the Board of Directors; and</li> <li>- Sign contracts and other instruments of the Corporation as are proper and necessary for the transaction of the ordinary business of the Corporation.</li> </ul> <p><b>b. Manual</b></p> <ul style="list-style-type: none"> <li>- Shall lead the Management team;</li> <li>- Ultimately accountable for the Corporation's organizational and operational controls;</li> <li>- Must work and deal fairly and objectively with all the constituencies of the Corporation, namely, the Board, Management, stockholders and other stakeholders; and</li> <li>- Ensure that Management will provide all members of the Board with accurate and timely information that would enable the Board to comply with its responsibilities to its stockholders.</li> </ul> <p><b>c. Job Summary and Responsibilities in Appointment Letter</b></p> <ul style="list-style-type: none"> <li>- In partnership with the Board, ensure the accomplishment of the organization's mission and vision;</li> <li>- Manage the organization's infrastructure towards the realization of its strategic goals;</li> <li>- Create, communicate and implement the organization's vision, mission, and overall direction;</li> <li>- Lead the development and</li> </ul>

	<b>Chairman</b>	<b>Chief Executive Officer</b>
		<p>implementation of the overall organization's strategy;</p> <ul style="list-style-type: none"> <li>- Ensure the development of an annual operating plan in support of the strategic plans and the achievement of such;</li> <li>- Provide the Board with the organizational information it needs for its governance responsibilities; and</li> <li>- Maintain and develop teamwork within the management staff.</li> </ul>

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

The Board is part of the control environment of the Corporation, ensuring that the Corporation is properly and effectively managed and supervised. As stated in our Manual, the Board's internal control responsibilities include: (a) defining the duties and responsibilities of the President and the CEO in accordance with the provisions of the Corporation's By-Laws; (b) selecting the persons who possess the abilities, integrity and expertise essential for the positions of the President and the CEO; (c) evaluating proposed senior management appointments; (d) selecting and appointing qualified and competent management officers; and (e) reviewing the Corporation's human resource policies, conflict of interest situations, compensation program for employees, and management succession plan.

- 4) Other Executive, Non-Executive and Independent Directors

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

Our Manual provides that the membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process. One of the duties and functions of the Board is to install a process of selection to ensure a mix of competent directors and officers.

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

Our Manual prescribes that the non-executive directors shall possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. Our directors are required to have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC, and where applicable, the requirements of other regulatory agencies. In pre-screening and shortlisting all candidates nominated to the Board, our Nomination Committee evaluates the candidates based on certain qualifications including, among others, that the candidate has a practical understanding of the Corporation, and that he or she shall have previous business experience and must be a member in good standing in a relevant industry, business or professional organization.

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

	Executive	Non-Executive	Independent Director
Role	a. By-Laws		
Accountabilities	- The business of the Corporation shall be conducted and all its property controlled and held by the Board of Directors composed of the individual directors, executive and non-executive (including the independent directors). Together with the other members of the Board of Directors, each director is responsible for setting the overall strategic direction of the Corporation. The directors shall collectively agree in the Board upon the long-term plans, capitalization and significant investments of the Corporation, set the key strategic milestones, plans and policies for execution by the Chief Executive Officer and the senior management team, and approve the AOP.		
Deliverables	<p>b. Manual</p> <p>A director's office is one of trust and confidence. He shall act in the best interest of the Corporation and in a manner characterized by transparency, accountability and fairness. He should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.</p> <p>A director should observe the following norms of conduct:</p> <ul style="list-style-type: none"> <li>• Conduct fair business transactions with the Corporation and ensure that his personal interest does not conflict with the interests of the Corporation;</li> <li>• Devote time and attention necessary to properly and effectively discharge his duties and responsibilities;</li> <li>• Act judiciously;</li> <li>• Exercise independent judgment;</li> <li>• Have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC, and where applicable, the requirements of other regulatory agencies;</li> </ul>	The non-executive director is subject to the same general responsibility and specific duties and responsibilities of an executive director.	The independent director is subject to the same general responsibility and specific duties and responsibilities of a director, executive or non-executive.

	Executive	Non-Executive	Independent Director
	<ul style="list-style-type: none"> <li>• Observe confidentiality; and</li> <li>• Attend all regular and special meetings of the Board of Directors.</li> </ul>		

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

"Independence" as it relates to the independent director and as explained in our By-Laws and Manual, is a person who, apart from his fees and shareholdings, is independent of Management and 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 responsibilities as a director in the Corporation and includes, among others a person who:

- (1) Is not a director or officer of the Corporation or of its related companies or any of its substantial shareholders (other than as an independent director of any of the foregoing). For this purpose, "related company" means another company which is: (a) its holding company; (b) its subsidiary; or (c) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security;
- (2) Does not own more than two percent (2%) of the shares of the Corporation and/or its related companies or any of its substantial shareholders;
- (3) Is not related to any director, officer or substantial shareholder of the Corporation, any of its related companies or any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- (4) Is not acting as a nominee or representative of any director or substantial shareholder of the Corporation and/or any of its related companies and/or any of its substantial shareholders;
- (5) Has not been employed in any executive capacity by the Corporation, any of its related companies and/or by any of its substantial shareholders within the last five (5) years;
- (6) Is not retained, either personally or through his firm or any similar entity, as professional adviser, by the Corporation, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or
- (7) Has not engaged and does not engage in any transaction with the Corporation and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other person or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial.

With our incumbent independent directors, the Corporation is fully compliant with the above definition.

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

The Corporation complies with SEC Memorandum Circular No. 9, Series of 2011 which limits the term of independent directors to five (5) consecutive years effective 2 January 2012. After completion of the five (5)-year service period, the independent director shall be ineligible for election as such in the Corporation unless he/she has undergone the "cooling off" period of two (2) years, provided, that during such period, the independent director has not engaged in any activity that under existing rules disqualifies a person from being elected as an independent director of the Corporation. An independent director re-elected as such in the Corporation after the "cooling off" period can serve for another five (5) consecutive years under the conditions mentioned above.

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

(a) Resignation/Death/Removal

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

Name	Position	Date of Cessation	Reason
John L. Sigalos	Non-Executive Director	19 June 2012	Resignation

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	The nomination of directors is conducted by the Nomination Committee prior to each annual stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the nominees. The Nomination Committee pre-screens the qualifications and prepares a final list of all candidates, and puts in place screening policies and parameters to enable it to effectively review the qualifications of the nominees. After the nomination, the Nomination Committee prepares a Final List of Candidates which shall contain all the information about all the nominees for directors, as required under applicable regulations, which list shall be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement in accordance with applicable rules and regulations or in such other reports that the Corporation is required to submit to the SEC. The name of the person or group of persons who nominated or recommended the nomination of the director shall be identified in such report including any	An executive director must possess the following qualifications at the minimum: <ul style="list-style-type: none"> <li>a. Holder of at least (1) share of stock of the Corporation;</li> <li>b. He shall possess at least a college or equivalent academic degree;</li> <li>c. He shall be at least twenty-one (21) years old;</li> <li>d. He shall have been proven to possess integrity and probity;</li> <li>e. He shall be assiduous;</li> <li>f. He must have a practical understanding of the business of the Corporation; and</li> <li>g. He shall have previous business experience and must be a member in good standing in a relevant industry, business or professional organization.</li> </ul>

Procedure	Process Adopted	Criteria
	relationship with the nominee. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nomination shall be entertained after the Final List of Candidates has been prepared and approved by the Nomination Committee. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.	
(ii) Non-Executive Directors	- same -	- same -
(iii) Independent Directors	- same -	In addition to the minimum qualifications of an executive director as stated above, an independent director shall, apart from his fees and shareholdings, be independent of Management and 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 responsibilities as a director in the Corporation. He must also possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided for in its Articles of Incorporation, By-Laws, Manual, applicable laws and regulations including, but not limited to, Section 38 of the Securities Regulations Code and its Implementing Rules and Regulations, as well as in the resolutions and rules passed or adopted by the Nomination Committee.
<b>b. Re-appointment</b>		
(i) Executive Directors	Same as item a	Same as item a
(ii) Non-Executive Directors	Same as item a	Same as item a
(iii) Independent Directors	Same as item a	Same as item a, subject to compliance with the term limits for independent directors as discussed above
<b>c. Permanent Disqualification</b>		

Procedure	Process Adopted	Criteria
(i) Executive Directors	Subject to the resolutions and rules passed or adopted by the Nomination Committee	<p>Grounds for Permanent Disqualification:</p> <p>a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code ("SRC"); (ii) 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 (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully</p>

Procedure	Process Adopted	Criteria
		<p>violating the laws that govern securities and banking activities.</p> <p>c. Any person who is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the SEC or Bangko Sentral ng Pilipinas ("BSP"), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>d. Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;</p> <p>e. Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the SRC, the Corporation Code, or any other law administered by the SEC or BSP, or any rule, regulation or order of the SEC or BSP;</p> <p>f. Any person judicially declared to be insolvent;</p> <p>g. Any person finally found</p>



Procedure	Process Adopted	Criteria
		<p>guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; and</p> <p>h. Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.</p>
(ii) Non-Executive Directors	- same -	- same -
(iii) Independent Directors	- same -	<p>In addition to the grounds for permanent disqualification of an executive director as stated above, an independent director will be permanently disqualified to be an independent director of the Corporation after serving as independent director thereof for ten (10) years pursuant to SEC Memorandum Circular No. 9, Series of 2011.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p>a. Subject to the resolutions and rules passed or adopted by the Nomination Committee; and</p> <p>b. Unless the temporary disqualification is automatically lifted upon the lapse of a certain period, a temporarily disqualified director shall, within sixty (60) business days from such disqualification, take appropriate action to remedy or correct the disqualification. If he unjustifiably fails or refuses to do so, the disqualification shall become permanent.</p>	<p>Grounds for Temporary Disqualification:</p> <p>a. Refusal to comply with the disclosure requirements of the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</p> <p>b. Absence in more than fifty percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency, unless the absence is justified because of illness, death</p>

Procedure	Process Adopted	Criteria
		<p>in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</p> <p>c. Dismissal/termination from directorship in another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal/termination; and</p> <p>d. If any of the judgments or orders mentioned in the Grounds for Permanent Disqualification has not yet become final.</p>
(ii) Non-Executive Directors	- same -	- same -
(iii) Independent Directors	- same -	<p>In addition to the grounds for temporary disqualification of an executive director as stated above, an independent director may be temporarily disqualified on the following grounds:</p> <p>a. If his beneficial equity ownership in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;</p> <p>b. Any person who was earlier elected as an independent director of the Corporation but subsequently becomes an officer or employee of the same; and</p> <p>c. Any person who was an officer, employee or consultant of the Corporation within the last five (5) years immediately preceding the date of his nomination as an independent director.</p>

Procedure	Process Adopted	Criteria
		<p>The disqualification shall be lifted upon the lapse of the five (5)-year period.</p> <p>Also, an independent director will be temporarily disqualified for two (2) years ("cooling off period") from being elected as an independent director of the Corporation after having served as independent director thereof for the last five (5) years pursuant to SEC Memorandum Circular No. 9, Series of 2011.</p>
<b>e. Removal</b>		
(i) Executive Directors	<p>The Corporation complies with the provision of the Corporation Code of the Philippines ("Corporation Code") on the removal of directors. As provided therein, a director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock at a regular meeting of stockholders or at a special meeting called for the purpose, after previous notice to stockholders of the Corporation of the intention to propose such removal at the meeting. A special meeting of the stockholders of the Corporation for the purpose of removal of a director must be called by the secretary on order of the president or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. Notice of the time and place of such meeting, as well as the intention to propose such removal must be given by publication or by written notice prescribed in the Corporation Code.</p>	<p>The removal of a director may be with or without cause; Provided, that removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under the Corporation Code.</p>
(ii) Non-Executive Directors	- same -	- same -
(iii) Independent Directors	- same -	- same -

Procedure	Process Adopted	Criteria
<b>f. Re-instatement</b>		
(i) Executive Directors	Same process is adopted as stated in selection/appointment and re-appointment of directors	Same criteria is used as stated in selection/appointment and re-appointment of directors
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	Same process is adopted as stated in removal of directors	Same criteria is used as stated in removal of directors
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Oscar S. Reyes (Independent)	2,613,531,999
Yeon-Suk No	2,613,531,999
Partha Chakrabarti	2,613,531,999
JaeHyuk Lee	2,613,531,999
Choong Ik Lee	2,613,531,999
Byoung Tak Hur	2,613,531,999
Qasim Khan	2,613,531,999
Vinod Rao	2,613,531,999
Rafael M. Alunan III (Independent)	2,613,531,999

6) Orientation and Education Program

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

Upon the director's election, he is made aware of his obligations, duties and responsibilities under the Corporation Code, the SRC, the Articles of Incorporation and By-Laws of the Corporation, the Manual, and relevant regulations of the Philippine Stock Exchange ("PSE") through an internal memorandum sent by the Corporate Secretary and Compliance Officer in behalf of the Board. The internal memorandum discusses the disclosure obligations specific to the Corporation, certain beneficial owners or shareholders, its directors and officers under relevant provisions of the SRC and PSE Disclosure Guidelines for Listed Companies. The directors are also furnished appropriate material by email from time to time on the structure and composition of the Corporation's Board including its committees, its procedures, their duties and responsibilities as members of the Board and Board committees, as well as provisions of the Manual and other corporate governance policies of the Corporation. Since most of the Corporation's directors are non-executive, based overseas, and travel heavily for work, the Corporation adapts to the situation by choosing to maximize the use of technology in disseminating information over having the directors attend a physical session or orientation in the Philippines. Nonetheless, the directors are encouraged by the Corporation to update themselves continually on evolving trends, standards and best practices on corporate governance by their regular attendance at seminars. The Corporation is committed to provide the appropriate support for such initiatives.

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Oscar S. Reyes	10 August 2012	Corporate Responsibility	Keith T. Darcy, Executive

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

		<u>in the Changing Global Landscape</u>	<u>Director Ethics and Compliance Officer Association (ECO)</u>
	<u>8 December 2011</u>	<u>Board Governance Responsibilities: Risks, Culture and Leadership conducted by PLDT's CG education program together with Global Compliance Services, Inc. 13950 Ballantyne Corp Place, Suite 300 Charlotte, NC 28277 US</u>	<u>Mr. Steven John Priest, Senior Advisor, held at First Pacific Company's Board Room, 24<sup>th</sup> Floor, Two Exchange Square, Central, Hong Kong</u>
	<u>14 December 2010</u>	<u>Board of Directors Fiduciary Duties and Role in Relation to ERM: Best Practices in Dealing with the Agency Dilemma and Setting a Company's Risk Appetite PLDT's CG Education Program with Asia Risk Management Institute (ARiMI), 9 Penang Road, #12-01, Park Mall, Singapore</u>	<u>Mr. Mark Ronez, Managing Director – AriMI, held at the Marikina and Mandaluyong Rooms, the Lighthouse, 14<sup>th</sup> Floor, Lopez Building, Meralco, Pasig City</u>
<u>Rafael M. Alunan III</u>	<u>March 2014</u>	<u>Discussion on ASEAN Corporate Governance scorecard</u>	<u>Sun Life Philippines</u>
	<u>June 2010</u>	<u>Executive leadership course</u>	<u>Harvard Kennedy School of Government</u>
<u>Celerino T. Grecia III</u>	<u>3, 5 and 6 March 2010</u>	<u>Mandatory Continuing Legal Education</u>	<u>ChanRobles LawNet, Inc. (a Supreme-Court accredited MCLE provider)</u>
	<u>23 and 24 June 2010</u>	<u>Best Practices in Corporate Housekeeping</u>	<u>Center for Global Best Practices, EDSA Shangri-la Hotel, Mandaluyong City</u>
	<u>13 and 14 May 2010</u>	<u>Best Practices in Crafting HR Policies and Contracts</u>	<u>Center for Global Best Practices, EDSA Shangri-la Hotel, Mandaluyong City</u>
<u>Ma. Rosario C. Z. Nava</u>	<u>9 December 2010</u>	<u>Annual Listing and Disclosure Rules seminar conducted by the PSE</u>	<u>Romulo Lounge, Tower One, Exchange Plaza, Ayala Triangle, Ayala Avenue</u>
	<u>13 November 2009</u>	<u>SEC Revised Code of Corporate Governance</u>	<u>EDSA Shangri-la Hotel, Mandaluyong City</u>
	<u>19, 20, 26 and 27 March 2010</u>	<u>Mandatory Continuing Legal Education</u>	<u>Legis Forum Architectural Center Club, Inc., 6082 Palma Street corner Rockwell Drive, Makati City</u>
	<u>4, 11, 18 and 25 August 2012</u>	<u>Mandatory Continuing Legal Education</u>	<u>Legis Forum Architectural Center Club, Inc., 6082 Palma Street corner Rockwell Drive, Makati City</u>

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

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<u>Oscar S. Reyes</u>	<u>2 December 2013</u>	<u>Ethics and Governance Failures in the Past (Board Responsibility)</u>	<u>Winthrop Swenson Compliance System Legal Group Makati Shangri-la</u>
	<u>26 November 2013</u>	<u>Handling Ethical Dilemmas: Tools and Techniques</u>	<u>Gretchen A. Winter Center for Professional Responsibility in Business and Society Meralco Theater</u>
<u>Rafael M. Alunan III</u>	<u>Attending monthly, quarterly and annual fora/conferences as Fellow, ICD</u>	<u>Corporate Governance</u>	<u>Institute of Corporate Directors (ICD)</u>
	<u>1, 2, 7, 8, 18 &amp; 19 March 2010</u>	<u>Professional Directors Program</u>	<u>ICD</u>
	<u>25 March 2010</u>	<u>Public Governance Forum</u>	<u>Institute for Solidarity in Asia (ISA), Dusit Thani Hotel Manila</u>
	<u>22-23 September 2010</u>	<u>Public Governance Forum</u>	<u>ISA, Sofitel Philippine Plaza Hotel</u>
	<u>23 March 2011</u>	<u>Public Governance Forum</u>	<u>ISA, Sofitel Philippine Plaza Hotel</u>
	<u>11 October 2011</u>	<u>Public Governance Forum</u>	<u>ISA, Mandarin Oriental Hotel Manila</u>
	<u>27 June 2012</u>	<u>Shareholder Activism: The Singapore Experience by David Gerald</u>	<u>ICD, Dusit Thani Hotel Manila</u>
	<u>10 August 2012</u>	<u>Global Trends on Ethics, Governance and CSR by Keith Darcy</u>	<u>ICD, Tower Club, Makati</u>

## B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	Directors, Senior Management and Employees shall avoid any activity and interest that could influence, or appear to be influenced, by personal or family interests that could significantly affect the objective or effective performance of duties and responsibilities in the Company.		
(b) Conduct of Business and Fair Dealings	Directors, Senior Management and Employees shall maintain high standards of morality, integrity, professionalism and general good character in the conduct of their daily activities.		
(c) Receipt of gifts from third parties	Directors, Senior Management and Employees are enjoined to avoid the receipt of gifts from third parties which would influence the employee to compromise the		

Business Conduct & Ethics	Directors	Senior Management	Employees
	best interests of the Company and contrary to law, the giver's own policies and PCPPI's policies.		
(d) Compliance with Laws & Regulations	Directors, Senior Management and Employees shall uphold right conduct and shall personally adhere to the norms and restrictions imposed by applicable laws, rules and regulations.		
(e) Respect for Trade Secrets/Use of Non-public Information	Unless authorized or legally mandated, Directors, Senior Management and Employees shall maintain and safeguard the confidentiality of any information entrusted by the Company and other parties with whom the Company relates.		
(f) Use of Company Funds, Assets and Information	Directors, officers and employees shall use company property and resources, including company funds, equipment, supplies and software, and company information and time responsibly and efficiently and only for legitimate business purposes. They shall safeguard company funds and other assets from loss, damage, misuse and theft.		
(g) Employment & Labor Laws & Policies	The Company has an Manual of Policies and Procedures which provides for employee rights and obligations and sets policies on employee-related matters and are consistent with and in accordance with relevant provisions of the Labor Code.		
(h) Disciplinary action	The Company has a Code of Conduct and Ethics and any Director, officer and employee who commits a violation shall be subject to disciplinary action (including termination) and other appropriate actions.		
(i) Whistle Blower	A Director, Senior Management or Employee can "Speak Up" through a Speak-Up Line Unit via phone or email, the numbers and address of which are appropriately advertised internally.		
(j) Conflict Resolution	<p>The Audit Committee will handle resolution of reported illegal or unethical behavior involving Senior Management or any Board Member. The Audit Committee may ask assistance from Internal Audit and Human Resources Department (HRD) to conduct investigation of subject illegal acts or activities to further support subject reports and findings.</p> <p>The HRD handles the resolution of reported illegal or unethical behavior involving an employee in accordance with the Company's policies and procedures.</p>		

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? Yes
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

Adherence by Senior Management and employees to the above stated policies of the Corporation on business conduct and ethics is monitored by the Board mainly through the Audit Committee and the Board's adherence thereto is monitored by the Compliance Officer. The Audit Committee, which is tasked to assist the Board in monitoring compliance with applicable laws, rules and regulations and performs oversight specifically in the area of risk management, regularly meets to discuss, among others, violations or breaches of the above stated policies and recommends appropriate actions to address the same to the Board for its approval before Management implements such actions.

#### 4) Related Party Transactions

##### (a) Policies and Procedures

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

Related party relationship exists when one party has ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making the financial and operating decisions. Such relationship also exists between and/or among entities which are

under common control with the reporting enterprises, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company does not have any parent company, joint venture arrangement and any subsidiary.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	Related party transactions, including overlapping interests in the company, shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	Related party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the Corporation, its stockholders, creditors, policyholders and claimants.
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

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

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

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	N/A
Name of Officer/s	N/A
Name of Significant Shareholders	N/A

(ii) Mechanism

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

The Company has and communicates to its directors, officers and significant shareholders a clear policy governing the Company's transactions with related parties. The Board, through the Audit Committee which includes the two (2) independent directors, reviews significant related party transactions (RPTs). The Company enters into RPTs on an arm's length basis, and in the interest of transparency, consistently reports its RPTs in the Company's Annual Audited Financial Statements, Annual Reports, and Information Statements.

	Directors/Officers/Significant Shareholders
Company	(Please refer to above reply for both Company and Group.)
Group	

5) Family, Commercial and Contractual Relations

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

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



Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
Lotte Chilsung Beverage Co., Ltd. ("Lotte")	Commercial/ Contractual	The Company purchased finished goods from Lotte.
PepsiCo, Inc. ("PepsiCo"), the ultimate parent of Quaker Global Investments, B.V., the significant shareholder	Commercial/ Contractual	The Company has Exclusive Bottling Agreements (EBAs) cooperative advertising and marketing programs with PepsiCo and Pepsi Lipton International Limited ("Pepsi Lipton"), a joint venture of PepsiCo and Unilever N.V.,).  The Corporation also has an existing Performance Agreement with PepsiCo.

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

Names of Related Significant Shareholders	Type of Relationship	Brief Description
Lotte Chilsung Beverage Co., Ltd. ("Lotte")	Commercial/ Contractual	The Company purchased finished goods from Lotte.
PepsiCo, Inc. ("PepsiCo"), the ultimate parent of Quaker Global Investments, B.V., the significant shareholder	Commercial/ Contractual	The Company has Exclusive Bottling Agreements (EBAs) cooperative advertising and marketing programs with PepsiCo and Pepsi Lipton International Limited ("Pepsi Lipton"), a joint venture of PepsiCo and Unilever N.V.,).  The Corporation also has an existing Performance Agreement with PepsiCo.

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

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
Lotte Chilsung Beverage Co., Ltd. ("Lotte") and PepsiCo, Inc. and Quaker Global Investments, B.V. ("PepsiCo Group")	Lotte – 34.4% Quaker – 29.5% Total – 63.9%	The Cooperation Agreement deals with the business operation of the Corporation.

6) Alternative Dispute Resolution

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

Alternative Dispute Resolution System	
<b>Corporation &amp; Stockholders</b>	For those affecting the Corporation and its shareholders, the Corporation has established an Investor Relations Office headed by the Corporation's CFO. This office

		<b>Alternative Dispute Resolution System</b>
<b>Corporation &amp; Third Parties</b>		<u>addresses concerns and issues of investors and shareholders in coordination with the Office of the Corporate Secretary.</u> <u>For those affecting the Corporation and third parties, the Corporation has created a Corporate Affairs and Communications Office headed by a Vice-President, which handles all concerns of other stakeholders, including the community.</u> <u>For those affecting the Corporation and regulatory authorities, the Corporation's Legal Department headed by a Senior Vice-President ably addresses all such issues and concerns. The Corporation complies with all relevant laws, rules and regulations of regulatory authorities in the operation of its business and, in relation thereto, the resolution of issues between the Corporation and its regulators. The Corporation has adopted the policy of pro-actively engaging relevant Government agencies in resolving issues affecting the Corporation and the agencies concerned.</u>
<b>Corporation &amp; Regulatory Authorities</b>		

### C. BOARD MEETINGS & ATTENDANCE

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

The Corporate Secretary starts preparing the meeting calendar of the Board for the following year 1 to 2 months before the end of the current year. The meeting calendar of the Board is finalized and circulated to all Directors at the beginning of the year.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman/ Independent Director	Oscar S. Reyes	Last elected 25 May 2012	7	7	100%
Member	Yeon-Suk No	Last elected 25 May 2012	7	7	100%
Member	Partha Chakrabarti	Last elected 25 May 2012	7	7	100%
Member	JaeHyuk Lee	Last	7	4	57.14%

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
		elected 25 May 2012			
Member	Choong Ik Lee	Last elected 25 May 2012	6	3	50%
Member	Byoung Tak Hur	Last elected 25 May 2012	6	6	100%
Member	Qasim Khan	Last elected 25 May 2012	7	6	85.71%
Member	Vinod Rao	Last elected 19 June 2012	4	4	100%
Independent	Rafael M. Alunan III	Last elected 25 May 2012	7	7	100%

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? Owing to the fact that, as explained in Part A. 6)(a), most of the Corporation's non-executive directors are based overseas and travel heavily for work, they come to the Philippines only to attend the regular Board meetings and Board committee meetings of the Corporation held here. Due to time constraints while in the Philippines, there are no formal meetings of non-executive directors that take place without the presence of any of the Corporation's executives. However, it is usual for non-executive directors to have informal meetings or conferences in smaller groups before the regular Board meetings without any executive or member of Management present.
- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. Under Article III, Section 5 of the By-Laws of the Corporation, a quorum at any meeting of the Board of Directors shall consist of a majority of the entire membership of the Board and a majority of those present shall be necessary to decide any matter that may come before a meeting, except for the election of officers which shall require the vote of a majority of all the members of the Board, or as otherwise provided for in the Articles of Incorporation, the By-Laws, or by law.

The Twelfth Article, paragraph (e) of the Articles of Incorporation of the Corporation and Article III, Section 13 of the By-Laws of the Corporation both provide that for as long as the Appointments remain effective, at any board of directors meeting of the Corporation, the affirmative vote of three-fourths or 75% of the directors shall be required for the validity of any of the following acts:

- Sale of the business or any merger of the Corporation;
- Disposal of any assets of the Corporation which have a value in excess of 10% of the net book value of all the assets of the Corporation unless provided for in the relevant Annual Operating Plan;
- Substantial change in the business activities of the Corporation unless provided for in the relevant Annual Operating Plan;
- Any external borrowing by the Corporation unless provided for in the relevant Annual Operating Plan;
- Issuance of any guarantee by the Corporation other than in the ordinary course of business and, even if in the ordinary course of business, to any shareholder holding at least 5% of the Corporation's issued and

- outstanding capital stock or any affiliate of any such shareholder;
- f. Any change in the capital structure of the Corporation or any capital expenditure unless provided for in the relevant Annual Operating Plan;
- g. Any related party transaction involving the Corporation and any shareholder holding at least 5% of the Corporation's issued and outstanding capital stock or its affiliate which are (i) other than on commercial arms length terms or in the ordinary course of business, or (ii) are in excess of the equivalent of US\$1,000,000.00;
- h. Granting by the Corporation of any warrants, conversion rights or other contingent rights to equity unless provided for in the relevant Annual Operating Plan, except for any employee stock option scheme which has been approved by the Board of Directors;
- i. Declaration or payment of dividends other than in accordance with the policy that the Corporation may declare and pay dividends up to 50% (or such other percentage as may be reset by the Board) of its net profits (after allowing for provisions and other requirements of the Annual Operating Plan) on condition that it complies with the applicable Operating Targets as set out in the then current Annual Operating Plan;
- j. Recruitment, hiring or otherwise changing terms of employment (including compensation, severance, or termination) for the six (6) highest paid executives, officers and/or directors of the Corporation other than such terms as recommended by the Compensation and Remuneration Committee of the Corporation;
- k. Change of any accounting methods unless required by applicable law, regulation, or accounting standards;
- l. Approval or modification of any Annual Operating Plan; and
- m. Any amendment to or renewal of the Appointments.

5) Access to Information

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

The board papers for the meetings of the Board of Directors, including the Notice/Agenda, are provided to the Board of Directors at least seven (7) days prior to the date of the meeting.

- (b) Do board members have independent access to Management and the Corporate Secretary? Yes. As provided in our Manual, in order to provide the Board with accurate and timely information to enable the proper performance of their duties and responsibilities, the members of the Board shall have access to Management and the Corporate Secretary.
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

As provided in our By-Laws, the Corporate Secretary shall have the following duties and responsibilities:

- Issue all notices of regular meetings of the Stockholders and the Board;
- Keep the minutes of all meetings of the Stockholders and the Board;
- Have charge of the corporate seal and records;
- Sign with the President all stock certificates and such instruments that require her signature; and
- Make such reports and perform such other duties as are incident to her office or as may be properly required of her by the Board.

Additionally, the Corporate Secretary of the Corporation has the following duties and responsibilities under our Manual:

- Gather and analyze all documents, records and other information essential to the conduct of her duties and responsibilities to the Corporation;

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

- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting;
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations;
- Attend all Board meetings, except when prevented by justifiable causes such as illness, death in the immediate family and serious accident, and maintain a record of the same;
- Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- Submit to the SEC, on or before 30 January of the following year, a sworn certification on the record of attendance of the directors in Board meetings held during the preceding year, which certification may be made via the SEC Form 17-C or in a separate filing; and
- If she is also the Compliance Officer, perform all the duties and responsibilities of said officer as provided for in the Manual.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Yes. The incumbent Corporate Secretary is a lawyer and has sufficient knowledge, skills and experience in company secretarial work. Although not an accountant, she has adequate knowledge of financial management and accounting for corporations. Please explain should the answer be in the negative. N/A

(e) Committee Procedures

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

Yes

No

Committee	Details of the procedures
Executive	The Notice/Agenda, as well as the information/materials which will be discussed in the committee meeting, are distributed to the members at least seven (7) days prior to the date of the committee meeting.
Audit	The Notice/Agenda, as well as the information/materials which will be discussed in the committee meeting, are distributed to the members at least seven (7) days prior to the date of the committee meeting.
Nomination	The Notice/Agenda, as well as the information/materials which will be discussed in the committee meeting, are distributed to the members at least seven (7) days prior to the date of the committee meeting.
Compensation and Remuneration	The Notice/Agenda, as well as the information/materials which will be discussed in the committee meeting, are distributed to the members at least seven (7) days prior to the date of the committee meeting.
Others (specify)	N/A

6) External Advice

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

As provided in our Manual, in order to provide the Board with accurate and timely information to enable the proper performance of their duties and responsibilities, the members of the Board shall have access, in

certain limited cases as deemed necessary and arranged for by Management, to independent professional advice at the Company's expense.

Procedures	Details
Legal advice/opinion	Refer to the Corporate Secretary or legal counsel for advice and guidance on possible legality or implications.
Independent opinion on financial matters and related regulatory concerns.	Refer to the external auditors for proper guidance on the correct accounting treatment and other financial statement disclosure requirements.
Guidance or clarification on other matters	Refer to consultants and experts.

Since this is dealt with on a case-to-case basis and as the need arises, there is no single procedure that is followed.

#### 7) Change/s in existing policies

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

Existing Policies	Changes	Reason
N/A	N/A	N/A

### D. REMUNERATION MATTERS

#### 1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	BOD-approved Company remuneration policies/guidelines (i.e. Company salary structure, market rates used as a guide; salary adjustments based on performance and changes in responsibilities and authorities)	
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	None	

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

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

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<p>By-Laws:</p> <p>The members of the Board shall be paid <i>per diems</i>, transportation and representation allowances and/or other similar compensation as the Board may determine and fix from time to time. The members of the Board may also be granted additional compensation in such amount and manner as the Board may from time to time fix and determine; provided, further, that the Directors who serve as independent directors of the Corporation may receive such additional compensation as the Board of Directors may determine; and provided, further, that Directors who are appointed to serve on the Executive Committee and other standing committees of the Corporation may each be paid such additional compensation as the Stockholders may determine.</p>	(see answer to "Remuneration Policy")	Subject to determination by the Board or the Stockholders in the proper case
Non-Executive Directors	-same-	-same-	-same-

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Yes, with respect only to the grant of additional compensation to directors which are not in the nature of *per diems* and similar allowances. The last time any such compensation was brought to the Stockholders for approval was on 28 October 2008 when the Stockholders

approved the grant of ₱500,000.00 directors' fee for each director. Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	20,929,949	–	–
(b) Variable Remuneration	–	–	–
(c) Per diem Allowance	–	–	1,744,412
(d) Bonuses	–	–	–
(e) Stock Options and/or other financial instruments	–	–	–
(f) Others (Specify)	1,394,706	–	–
<b>Total</b>	<b>22,324,655</b>	<b>–</b>	<b>1,744,412</b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	Not Applicable		
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			
(e) Life Insurance Premium			
(f) Hospitalization Plan			
(g) Car Plan			
(h) Others (Specify)			
<b>Total</b>			

4) Stock Rights, Options and Warrants

(a) Board of Directors

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



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

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting: N/A

Incentive Program	Amendments	Date of Stockholders' Approval
Not Applicable		

5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
Juan Gabriel P. Sison / EVP-National Sales	P23,521,384.00
Daniel D. Gregorio, Jr. / SVP-Manufacturing & Logistics	
Celerino T. Grecia III / SVP-HR/EIR/Legal	
Samuel M. Dalisay, Jr. / VP-Supply Chain	
Angelica M. Dalupan / VP-Corporate Affairs & Communications	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	2	2			<ul style="list-style-type: none"> <li>- Review the detailed financial and operating performance of the Corporation and progress against the relevant AOP and Operating Targets;</li> <li>- Monitor the Corporation's progress against key initiatives, pricing strategies and plans, sales and marketing plans, capital expenditure planning and key decisions on organizational structure and people;</li> <li>- Work with the CEO in identifying issues affecting the business of the Corporation and provide guidance to the CEO;</li> </ul>		

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
			0		<ul style="list-style-type: none"> <li>-Work with the CEO and his senior management team to formulate and develop the AOP prior to review by the Board; and</li> <li>-Have and exercise all the powers of the Board during the intervals between Board meetings except for (i) approval of any action for which Stockholders' approval is also required; (ii) filling of vacancies in the Board; (iii) amendment or repeal of the By-laws or the adoption of new by-laws; (iv) amendment or repeal of any Board resolution which by its express terms is not so amendable or repealable; (v) distribution of dividends to Stockholders; and (vi) such other matters as may be specifically excluded or limited by the Board, by the Corporation Code, or by the Corporation's Articles of Incorporation or By-Laws.</li> </ul>		
Audit	0	2	2		<ul style="list-style-type: none"> <li>- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations, including supervising the formulation of rules and procedures on financial reporting and internal control ensuring that the extent of Management's responsibility in the preparation of financial statements <i>vis-à-vis</i> the responsibility of the external auditor is clearly stated;</li> <li>- Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements;</li> <li>- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management;</li> <li>- Pre-approve all audit plans, scope and frequency before the conduct of external audit;</li> <li>-Perform direct interface functions with the internal and external auditors;</li> <li>-Review the reports submitted by the internal and external auditors;</li> <li>-Review and approve the quarterly and semestral financial statements, as well as review the annual financial statements prior to the submission of the same to the Board for approval, with particular focus on the following matters: (i) changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from the audit; (iv) going concern assumptions; (v) compliance with accounting standards; and (vi) compliance with tax, legal and regulatory requirements;</li> <li>- Endeavor to elevate to international standards the accounting and auditing processes, practices and</li> </ul>		

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
					<p>methodologies in accordance with applicable laws and regulations;</p> <ul style="list-style-type: none"> <li>- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization; and</li> <li>- Evaluate and determine the non-audit work, if any, of the external auditor, and periodically review the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's annual report.</li> </ul>		
Nomination	1	1	1		<ul style="list-style-type: none"> <li>- Pre-screen and shortlist all candidates nominated to become a member of the Board in accordance with the qualifications and disqualifications provided for in the Articles of Incorporation, By-Laws, Manual, applicable laws, regulations and resolutions and rules passed or adopted by it, the Shareholders, and the Board, including disqualifying nominees who, in the Committee's judgment, represents an interest adverse to or in direct or indirect conflict with those of the Corporation;</li> <li>- Advise the Board and the Shareholders, as applicable, whether the directors continue to be qualified or are disqualified from continuing as members of the Board; and</li> <li>- In consultation with the Executive Committee, redefine the role, duties and responsibilities of the CEO or other members of senior management by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.</li> </ul>		
Compensation and Remuneration	1	1	2		<ul style="list-style-type: none"> <li>- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors</li> <li>- Provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates;</li> <li>- Designate the amount of remuneration which shall be in a sufficient level to attract and retain senior management and directors who are needed to run</li> </ul>		

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
					<p>the Corporation successfully. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance;</p> <ul style="list-style-type: none"> <li>- Develop a Full Business Interest Disclosure Form as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;</li> <li>- Disallow any director to decide his or her own remuneration;</li> <li>- To the extent required by law or regulation, provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of all fixed and variable compensation that may be paid to its directors and top four (4) management officers for the previous fiscal year; and</li> <li>- Review (if any) or cause the development of, the existing Human Resources Development or Personnel Handbook, to strengthen the provisions on conflict of interest, salaries, and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</li> </ul>		

## 2) Committee Members

### (a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A	N/A	N/A	N/A	N/A	N/A
Member (ED)	Yeon-Suk No	First appointed 15 December 2010; last appointed 25 May 2012	0	0	0	2
Member (ED)	Partha Chakrabarti	First appointed 15 December 2006; last appointed 25 May 2012	0	0	0	6
Member (NED)	Qasim Khan	First appointed 28	0	0	0	4

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
		October 2008; last appointed 25 May 2012				
Member (NED)	JaeHyuk Lee	First appointed 27 May 2011; last appointed 25 May 2012	0	0	0	2
Member (ex-officio member being the Corporation's CFO; not a Director)	Imran Moid	First appointed 28 June 2012	0	0	0	0

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Rafael M. Alunan III	First appointed 24 August 2007; Last appointed 25 May 2012	5	4	80%	5
Member (NED)	Vinod Rao	First appointed 3 August 2012	3	3	100%	0
Member (NED)	JaeHyuk Lee	First appointed 27 May 2011; last appointed 25 May 2012	5	1	20%	2
Member (ID)	Oscar S. Reyes	First appointed 29 November 2007; last appointed 25 May 2012	5	5	100%	5

Disclose the profile or qualifications of the Audit Committee members.

**RAFAEL M. ALUNAN III**

Mr. Alunan has had extensive experience in the private and public sectors. He sits on the Boards of Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company and Grepalife Asset Management Corp., and on various board committees. Mr. Alunan is also on the Board of the University of St. La Salle and sits on various board committees. He serves as Vice-President in the Board of Governors of the Management Association of the Philippines and is a Director of Rafael Alunan Agro-Development Inc. He is a regular columnist of Business World. Mr. Alunan obtained his double degree in Business Administration and History-Political Science from the De La Salle University, attended the MBA - Senior Executive Program of the Ateneo de Manila University, and obtained a Master's degree in Public Administration from Harvard University, John F. Kennedy School of Government. He holds the rank of Colonel in the Armed Forces of the Philippines, held the post of Commanding Officer of the 131<sup>st</sup> Infantry Standby Reserve and 9<sup>th</sup> Infantry Ready Reserve Divisions, and is a graduate of the Philippine Army's Command and General Staff College.

**VINOD RAO**

Mr. Rao, currently the CFO for the Asia Pacific Region of PepsiCo, brings with him twenty-seven (27) years of extensive work experience in leadership roles across a diverse range of categories like FMCG, Consumer Durables, Chemicals and Industrial Products. Over the past fourteen (14) years, he has occupied a variety of roles in PepsiCo which include Vice-President New Business Development – AMEA, CFO of Greater China Beverages as well as CFO of India Beverages. Prior to joining PepsiCo, he worked for ICI India in finance leadership roles across Paints, Explosives and Rubber Chemicals business. He is a member of the Institute of Chartered Accountants of India and holds a Bachelor's degree in Commerce from the University of Madras. He has also completed the Senior Executive program from the London Business School.

**JAEHYUK LEE**

Mr. Lee is the current President/CEO of Lotte Chilsung Beverage Co., Ltd., Lotte Liquor Co., Ltd. and Lotte Asahi Liquor Co., Ltd. Prior positions held included being President of Lotte HQ, CEO of Lotteria Co., Ltd., and Senior Managing Director of Lotte Chilsung Beverage Co., Ltd.

**OSCAR S. REYES**

Mr. Reyes is the incumbent Chairman of the Board of Directors of the Corporation. He was Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. for many years. He holds a Bachelor of Arts in Economics (*Cum laude*) from the Ateneo de Manila University and a Diploma in International Business from the Waterloo Lutheran University in Toronto, Canada, and completed the Program for Management Development at the Harvard Business School. He is currently the President and Chief Executive Officer and Director of the Manila Electric Company. He also serves as a director and a member of board committees in the boards of companies engaged in banking, insurance, telecommunications, water distribution, real estate, shipping and mining and as a Trustee of various foundations.

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

As provided in the Manual, the Audit Committee shall assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control and audit process, and shall supervise the formulation of rules and procedures on financial reporting and internal control ensuring that the extent of Management's responsibility in the preparation of the financial statements *vis-à-vis* the responsibility of the external auditor is clearly stated. The Audit Committee is also mandated to pre-approve all audit plans, scope and frequency before the conduct of the external audit, perform direct interface functions with the external auditors, review the reports submitted by them, and review and approve the quarterly and semestral financial statements, as well as review the annual financial statements prior to submission of the same to the Board for approval with special emphasis on the matters stated in Part E, item 1 above. The Audit Committee shall also evaluate and determine the non-audit work, if any, of the external auditor and periodically review the non-audit fees paid to the external auditor in relation to their significance

to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Rafael M. Alunan III	First appointed 24 August 2007; Last appointed 25 May 2012	1	1	100%	5
Member (ED)	Yeon-Suk No	First appointed 23 March 2012; last appointed 25 May 2012	1	1	100%	1
Member (NED)	Vinod Rao	First appointed 3 August 2012	1	1	100%	1

(d) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Rafael M. Alunan III	First appointed 24 August 2007; Last appointed 25 May 2012	1	1	100%	5
Member (ED)	Yeon-Suk No	First appointed 23 March 2012; Last appointed 25 May 2012	1	1	100%	1
Member (NED)	Vinod Rao	First appointed 3 August 2012	1	1	100%	0
Member (ID)	Oscar S. Reyes	First appointed 16 September 2011; Last appointed 25 May 2012	1	1	100%	1

(e) Others (Specify) – N/A

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

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						

Member (ED)						
Member (NED)						
Member (ID)						
Member						

### 3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive	Imran Moid	Resignation of the previous CFO, Akash Shah
Audit	Vinod Rao	Resignation of John L. Sigalos
Nomination	Vinod Rao	Resignation of John L. Sigalos
Compensation and Remuneration	Vinod Rao	Resignation of John L. Sigalos
Others (specify)	N/A	N/A

### 4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive	Nothing to report	
Audit	- Reviewed and approved the audit plan, all quarterly financial reports for 2012, and the annual financial statements of the Corporation for the year ended December 31, 2012	Rolled out the Online Contract Approval project ensuring full compliance with the Corporation's approval matrix for contracts
Nomination	- Evaluated all nomination and recommendation letters of candidates to the Board and approved the Final List of Candidates for election to the Board for 2013 to 2014	N/A
Compensation and Remuneration	- Discussed and approved Management's proposals for the regular salary increase for 2013 and the performance-based retention bonus for 2013 onwards	Election of RM Alunan as the new Committee Chairman to address the vacancy in the Chairmanship of this Committee
Others (specify)	N/A	N/A

### 5) Committee Program

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

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Nothing to report	
Audit	Upgrade of the Corporation's control environment with the proposal to implement the Global Control Standards (GCS) following PepsiCo's internal control systems	Upgrade of the Corporation's system of internal control and procedures for better risk management



Name of Committee	Planned Programs	Issues to be Addressed
Nomination	Pre-screen qualifications of all nominees to the Board of Directors	Ensures all nominees to the Board both regular and independent directors possess all the qualifications and none of the disqualifications enumerated under the IC Code of Corporate Governance and related SRC Rule 38- Requirements on Nomination and Election of Independent Directors.
Compensation and Remuneration	Provide oversight over remuneration of senior management and other key personnel.	Review/evaluate existing remuneration policy and procedures on executives' compensation and for fixing the remuneration of directors and corporate officers.
Others (specify)	None	None

## F. RISK MANAGEMENT SYSTEM

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

The Company believes that risk management across the enterprise is an anticipatory, proactive process that should be an integral part of corporate culture and is a key component of the Company's strategic and business planning and operational management.

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

The directors have reviewed and discussed the adequacy of the Company's enterprise risk management framework and risk management processes and found the system effective.

#### (c) Period covered by the review; 2012

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

Risk Management system is reviewed annually.

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

Risk Management system is reviewed annually.

### 2) Risk Policy

#### (a) Company

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

Risk Exposure	Risk Management Policy	Objective
The Philippine economy and competitive environment of the beverage market	Keep abreast with key economic performance indicators and the competitive landscape and come up with effective strategy.	To meet our commitment to stakeholders.

(b) Group

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

Risk Exposure	Risk Management Policy	Objective
The Philippine economy and competitive environment of the beverage market	Keep abreast with key economic performance indicators and the competitive landscape and come up with effective strategy.	To meet our commitment to stakeholders.

(c) Minority Shareholders

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

Risk to Minority Shareholders
<p>While there is a risk that the exercise of the controlling shareholders' voting power may be restrictive or authorizing preferences in their favor, the Board in its commitment to practice good governance, is committed to respect the rights of the shareholders as provided for in the Corporation Code. These include the right to vote on all matters that require their consent or approval, such that a director shall not be removed without cause if it will deny minority shareholders representation in the Board.</p> <p>Although all stockholders should be treated equally or without discrimination, the Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.</p>

3) Control System Set Up

(a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
The Philippine economy and competitive environment of the beverage market	<p>The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.</p> <p><u>For key risks, there is annual risk identification done through risk and control assessment. With respect to specific activities to manage and control risk, the Company does the following: (i) interview with risk owner/s; (ii) filtering of risks; (iii) risk rating and ranking; (iv) assignment of risk owner/s; and (v) monitoring and reporting by the risk owner/s.</u></p>	

(b) Group

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<p>Similar to the Company's control systems assessment, management and control.</p> <p>For key risks, there is annual risk identification done through risk and control assessment. With respect to specific activities to manage and control risk, the Company does the following: (i) interview with risk owner/s; (ii) filtering of risks; (iii) risk rating and ranking; (iv) assignment of risk owner/s; and (v) monitoring and reporting by the risk owner/s.</p>		

(c) Committee

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

Committee/Unit	Control Mechanism	Details of its Functions
<p>The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework, including the development of its risk management policies.</p> <p>The Company's management team is responsible for implementing and monitoring the implementation of the Company's risk management policies as set by the Board. The management team identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.</p> <p>The Audit Committee performs oversight over financial management and internal control, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The BOD is assisted in the oversight role by the Internal Audit. Internal Audit undertakes both regular and <i>ad hoc</i> reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.</p>		

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

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

PCPPI adopts the COSO definition of Internal Control System.

Internal Control System is the system or body of processes, effected by the PCPPI's Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of the following business objectives:

1. Effectiveness of and efficiency of operations;
2. Reliability of financial reporting; and
3. Compliance with applicable laws and regulations.

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

[Please see our response in item G (1) (c).]

(c) Period covered by the review;

The Board of Directors through the assistance of the Audit Committee, has reviewed PCPPI's internal control system for the year ended December 31, 2012 and generally, found the system in place and effectively functioning.

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

The Board of Directors through the Audit Committee reviews quarterly the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance to laws and regulations, regularly conducts quarterly meetings with PCPPI's Controller and Audit Head, and as needed, with other PCPPI function heads, and the external auditors:

1. To review and approve the quarterly and semestral financial statements, as well as the annual financial statements, with particular focus on the following:
  - Changes in accounting policies and practices;
  - Major judgmental areas;
  - Significant adjustments resulting from the audit;
  - Compliance with accounting standards; and
  - Compliance with tax, legal and regulatory requirements.
2. Perform direct interface functions with the internal and external auditors; and
3. Review the reports submitted by the internal and external auditors, and recommend action plans to PCPPI Management.

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

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Independent appraisal function	1. Regular Audits 2. Follow-up Audits 3. Investigative audits	In-house Internal Audit	Susana A. Soliman	Quarterly reporting to the Audit Committee

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

Yes

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

- a. PCPPI's Internal Audit reports quarterly to the Audit Committee.
- b. It is authorized to examine any of the activities of PCPPI and has unrestricted access to all activities, records, property, personnel and officers of the Company necessary to discharge its responsibilities.
- c. It operates with independence and authority and is free from any interference in carrying out its responsibilities.

(d) Resignation, Re-assignment and Reasons

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

Name of Audit Staff	Date of Resignation	Reason
1. Jan Hansell Honor	June 8, 2012	Have difficulty on out-of-town work assignments
2. Joylin F. Telagen	Sept. 14, 2012	Did not pass probationary period of employment.
3. Alea Kaye S. Ressurreccion	Feb. 14, 2013	Changed career path.
4. Nina M. Valencia	Feb. 28, 2013	Will migrate to the Unites States.
5. Rommel A. Astudillo	April, 19, 2013	Will concentrate on own business ventures.

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

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

<b>Progress Against Plans</b>	Internal Audit achieved 91% of its planned audits for 2012.
<b>Issues<sup>6</sup></b>	1. Segregation of duties, incompatible system access and roles due to manning constraints.
<b>Findings<sup>7</sup></b>	2. Inadequate compliance to receivables confirmation and reconciliation procedures. 3. Inconsistent implementation of policies and procedures regarding marketing tools.  Management proactively addressing the above gaps through upgrading systems, policies and procedures.
<b>Examination Trends</b>	Based on the audit ratings, audit results are improving and Management has taken appropriate corrective actions on the findings.

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

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

(f) Audit Control Policies and Procedures

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

Policies & Procedures	Implementation
IA derives its authority from the Board of Directors through the PCPPI Audit Committee	Implemented since 2004.

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

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

IA reports administratively to the Chief Finance Officer but audit reports are submitted and discussed with PCPPI Management and with the Audit Committee.	Implemented since 2004.
IA is authorized to examine any of the activities of PCPPI and has unrestricted access to records, property, personnel and officers of PCPPI necessary to discharge its responsibilities.	Implemented since 2004.

(g) Mechanisms and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p><b>External Auditor</b></p> <p>The external auditor of the Corporation shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.</p> <p>The Corporation's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.</p>	Not Applicable		
<p><b>Internal Auditor</b></p> <p>The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor shall report to the Audit Committee which, apart from establishing and identifying the reporting line of the Internal Auditor to enable the proper discharge of duties, shall ensure that in the performance of his/her work, the Internal Auditor shall be free from interference by outside parties.</p> <p>The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.</p>	Not Applicable		

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

For 2012, we issued our annual certification on compliance with the SEC's Code of Corporate Governance in accordance with the requirements of SEC Memorandum Circular 6, Series of 2009 and the same was signed by the Compliance Officer and duly noted by the President/CEO.

## H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	The Company's main priority is to provide satisfaction to the customers of Company's products.	The Corporation maintains a website <a href="http://www.pepsiphilippines.com">www.pepsiphilippines.com</a> which is regularly updated and checked.
Supplier/contractor selection practice	Request for proposal is required to be submitted based on an approved term of reference.	A bidding process is in place where multiple suppliers or service providers are required to submit their bid proposal for review, evaluation and approval of the authorized approvers.
Environmentally friendly value-chain	The Company's complies with PepsiCo's global environmental standards and policies and ensuring good quality water through community service.	The Company participates in PepsiCo's compliance-related activities.
Community interaction		The Company also participates jointly in community related projects undertaken by other entities from time to time through donations, sponsorship and being resource speaker in certain events .
Anti-corruption programmes and procedures?	The Company has a Code of Business and Ethics and does not condone any dishonest, unethical or unprofessional behavior and actions displayed by an employee, regardless of his/her level of authority.	Concerns may be raised verbally or in writing to appropriate personnel as defined in the Company's policies. These concerns are properly investigated and appropriately addressed.
Safeguarding creditors' rights	The Company manages its working capital to meet its obligations arising from trade payables and other financial liabilities.	All valid claims are settled and monitored.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?  
Yes. Corporate Responsibility Section is included in the Annual Report, SEC Form 17A, Part IV. Corporate Governance section.

3) Performance-enhancing mechanisms for employee participation.

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

In accordance with the laws and regulations, the Company is committed to providing a safe and healthy work environment and dedicated to designing, constructing, maintaining and operating facilities that protect its employees and physical resources. The company abides by regulatory requirements on health and safety including health and wellness, health risk management, monitoring of health performance and reporting of incidences and investigation, drug and alcohol testing and medical clearance as conditions for fitness to work, the provision for an infirmary or other local health facility in the work premises and other facilities to address or respond to various medical emergencies.

The Company has an integrated approach to maintaining health, wellness and safety in the workplace. The Company encourages and at times sponsors sports tournaments and activities to help keep its employees fit and maintain good health.

The safety of its employees is also of paramount importance to the Company. It implements programs such as safety visits to its plants, regular fire drills, and earthquake-preparedness programs.

The Company keeps employees highly engaged and empowered by their participation in programs such as the PCPPI Annual Summit, the Speak-Up Line Unit, town hall meetings and other venues during which they can freely talk to their leaders. Employees are encouraged to give feedback and suggestions to the management team, which further promotes employee empowerment, accountability, and ownership of their work.

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

The Company's production facilities maintain good manufacturing practices manuals which prescribe, among others, the procedures for compliance with safety standards and practices, including the use of personal protection equipment. Regular audits are conducted at the Company's production facilities to determine their compliance with the good manufacturing practices manual.

The Company also conducts/practices activities as part of its prevention and control measures against work safety and health hazards such as:

Safety:

- Posting of safety signages or warnings
- Worker's orientation on safety and health hazards at work and training on emergency preparedness
- Installation of machine guards on moving parts/equipment
- Emergency response preparedness program
- Monitoring and control of safety/health hazards
- Dissemination of information materials on safety and health
- Trainings on safety and health for officers and workers
- Adoption of policy on random drug testing procedures, smoking control policies
- Adoption of measures to control the effect of works safety and health hazards including engineering control, and use of personal protective equipment
- Walk-around inspection
- Motor vehicle safety program conducted for key employees and contractors
- Emergency management
- Provision and maintenance of safety equipment: fire extinguishers (through monthly inspections), emergency light, sprinklers, smoke detectors and fire exits

Health and Wellness:

- Wellness programs held: badminton games, dance/aerobics; participation in fun run activities
- Annual physical examination and medical consultations done; over the counter medicines provided
- Provision of clinic and occupational physician
- Vaccination program held

The Company performed creditably in a Towers Watson survey conducted among the Company's employees on the subject of occupational safety and health management practices.

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

The Company is committed to the professional development of its employees. Training programs and other developmental interventions are implemented to enable employees to acquire the technical and/leadership competencies to effectively perform their jobs and for their professional growth. Learning & development initiatives are delivered using the 70-20-10 framework: 70% on the job learning, 20% from coaching and feedback and 10% formal training. Orientation programs on the Company's policies and procedures are provided to new employees.



The following trainings and development programs were conducted in 2013:

<u>Programs</u>	<u>No. of Participants</u>
<u>Consumer Concern Handling Program</u>	<u>34</u>
<u>Customer Demand &amp; Forecasting</u>	<u>10</u>
<u>Effective Business Writing Workshop</u>	<u>58</u>
<u>Effective Presentation Skills Workshop</u>	<u>71</u>
<u>Employee Motivation &amp; Discipline</u>	<u>10</u>
<u>Excel Training</u>	<u>123</u>
<u>Field Coaching &amp; Motivation</u>	<u>10</u>
<u>Finance Summit</u>	<u>105</u>
<u>Finance People Management and Development Program</u>	<u>5</u>
<u>Transition to Effective Managing</u>	<u>5</u>
<u>Fundamentals In Strategic HR Workshop</u>	<u>24</u>
<u>Handheld with S&amp;D/TUES Workshop</u>	<u>10</u>
<u>In-Plant Sensory &amp; CIP Optimization Workshop</u>	<u>23</u>
<u>LIFO Conference</u>	<u>135</u>
<u>Executive MBA Program</u>	<u>19</u>

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

The Company grants performance bonus depending on the performance of the Company and also taking into consideration various qualitative and quantitative performance parameters.

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

Any employee can "Speak-Up" through the Speak-Up Line Unit (SLU) via phone or email, numbers and address of which are appropriately advertised internally.

Retaliation against any Speaker or Witness is prohibited and will be dealt with in accordance with the Company's policy and other applicable laws. The Speaker or Witness may file a written Complaint on Retaliation with the Chief Compliance Officer within three (3) months from the occurrence of the last alleged act of Retaliation, submitted in a sealed envelope marked "Confidential".

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

(a) Holding 5% shareholding or more (as of 31 March 2013)

Shareholder	Number of Shares	Percent	Beneficial Owner
Lotte Chilsung Beverage Co., Ltd.	1,270,657,644	34.40%	
Quaker Global Investments B.V.	1,089,101,359	29.48%	
PCD Nominee Corp (Non-Filipino)	826,128,847	22.37%	
PCD Nominee Corp (Filipino)	501,531,492	13.58%	

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Not Applicable			
<b>TOTAL</b>			

2) Does the Annual Report disclose the following:

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

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

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
<b>KPMG (Manabat Sanagustin &amp; Co., CPAs</b>	₱ 3.95 Million	N/A

4) Medium of Communication

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

Shareholders are provided through public records, communication media, and the Company's website, the disclosures, announcements and reports filed with the SEC, PSE, IC and other regulating agencies.

5) Date of release of audited financial report:

March 8, 2013 for 2012 Audited Financial Report

6) Company Website

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

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

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

## 7) Disclosure of RPT

RPT	Relationship	Nature	Value
Lotte Chilsung Beverage Co., Ltd.	Stockholder	Purchase of goods	P7.5 million (2012)

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

Related party transactions, including overlapping interests in the company, shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.

Related party transactions shall be conducted in terms that are at least comparable to normal commercial practices to safeguard the best interest of the Corporation, its stockholders, creditors, policyholders and claimants.

## J. RIGHTS OF STOCKHOLDERS

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

#### (a) Quorum

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

<b>Quorum Required</b>	Stockholders representing a majority of the outstanding capital stock of the Corporation
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#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	The vote of a majority of the entire outstanding stock of the Corporation shall be necessary to decide any matter that may come before a meeting, unless otherwise provided by the Articles of Incorporation or by law.
<b>Description</b>	Simple majority, except in those cases where the Articles of Incorporation or the law requires a greater number.  The Twelfth Article, paragraph (d) of the Articles of Incorporation of the Corporation and Article III, Section 12 of the By-Laws of the Corporation both provide that for as long as the Appointments (i.e., the EBAs mentioned in Part B, item 5 (a) and (b) above) provide for and remain effective, the

	<p>affirmative vote of PepsiCo, as a direct or indirect Stockholder, shall be required for the validity of the following acts:</p> <ol style="list-style-type: none"> <li>a. Amendment of Articles of Incorporation and/or By-Laws insofar as such amendment affects PepsiCo's rights and interests;</li> <li>b. Expanding the range of products to be produced, sold or distributed by the Corporation to include any product not licensed to the Corporation by PepsiCo or its affiliate without the prior affirmative written consent of PepsiCo.</li> </ol> <p>Furthermore, the Corporation complies with the provisions of the Corporation Code requiring in certain instances and for specific corporate acts the vote of stockholders representing 2/3 of the total issued and outstanding voting stock of the corporation.</p>
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(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
N/A	N/A

Dividends

Declaration Date	Record Date	Payment Date
9 September 2010	24 September 2010	8 October 2010

(d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
<p>In the Information Statement sent to all stockholders on SEC Form 20-IS, the Corporation furnishes the name and address of the Corporate Information Officer of the Corporation to whom stockholders may address their replies and queries regarding the Notice of the Annual Stockholders' Meeting (ASM) and the Information Statement.</p> <p>Towards the end of each ASM prior to adjournment, the Board Chairman usually opens the floor for any comments or questions coming from the stockholders and refers it to the appropriate member of the Board or the Management team present at the ASM who addresses the same.</p>	<p>The Corporation maintains a website <a href="http://www.pepsiphilippines.com">www.pepsiphilippines.com</a> which is regularly updated and checked for any email queries and concerns coming from stockholders, prospective investors, customers, and the like.</p>

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

For all the corporate decisions abovestated including item (b) which we understand to be authorization for the issuance of additional shares necessitating an increase in the authorized capital of the Corporation, the Corporation always seeks to obtain the required 2/3 affirmative vote of shareholders as provided for and in accordance with the Corporation Code. For example, when the Corporation's Board approved the amendment of its Articles of Incorporation and By-Laws on 8 November 2010, these amendments were referred to the stockholders for ratification/approval and the stockholders duly ratified and approved the amendments at the ASM held on 15 December 2010,

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes
  - a. Date of sending out notices: 17 April 2012 (for 2012 ASM); 12 April 2013 (for 2013 ASM)
  - b. Date of the Annual/Special Stockholders' Meeting: 25 May 2012; 31 May 2013
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. There was a question asked about new products to be launched by the Corporation. The President replied that the Corporation will continue to delight the customers with new product offerings in both the carbonated softdrinks (CSD) and non-carbonated beverage (NCB) categories but declined politely to give details to avoid pre-emption of the Corporation's future product launch initiatives.
5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the previous Annual Stockholders' Meeting held on 27 May 2011	2,613,531,999		
Ratification of Acts of the Board of Directors and Management for the previous year	2,613,531,999		
Election of Directors	2,613,531,999		
Appointment of External Auditors	2,613,531,999		

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:  
25 May 2012; 31 May 2013

(e) Modifications

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

Modifications	Reason for Modification
N/A	N/A

(f) Stockholders' Attendance

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

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Oscar S. Reyes (Chairman/ID) Yeon-Suk No (CEO/ED) Partha Chakrabarti (President/ED) Rafael M. Alunan III (ID) Juan Gabriel P. Sison (EVP, National Sales) Daniel D. Gregorio, Jr. (SVP, Manufacturing and Logistics) Celerino T. Grecia III (SVP, HR/EIR/Legal) Samuel M. Dalisay, Jr. (VP, Supply Chain) Ma. Rosario C. Z. Nava (Corporate Secretary/Compliance Officer)	25 May 2012	Viva voce	0.02%	70.74%	70.76%
Special	N/A	N/A	N/A	N/A	N/A	N/A

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

The Corporate Secretary is usually assisted by her staff and the stock transfer agent in the counting, tabulation and validation of the votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Stockholders' Meeting.

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

Yes.

(g) Proxy Voting Policies

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

<b>Company's Policies</b>	
Execution and acceptance of proxies	<p>Any Stockholder may be represented by proxy at any meeting of the Stockholders. Subject to the rule on proxies and information statements under pertinent laws and rules, the proxy must be in writing, submitted to the Corporate Secretary at least three (3) days before the date of the meeting, and be substantially in the following form:</p> <p>"I hereby name, constitute and appoint [name of proxy] as my proxy to act and vote for me at the [annual/special] meeting of the stockholders of PEPSI-COLA PRODUCTS PHILIPPINES, INC. which will be held at Metro Manila, Philippines, on [date], or at any adjournment thereof in the transaction of any and all business that may properly come before said meeting or meetings according to the number of votes I would be entitled to cast if personally present.</p> <p>IN WITNESS WHEREOF, I have hereunto set my hand this [date] at [place].</p> <p>_____</p> <p>Stockholder's Signature</p> <p>Witness:</p> <p>_____ "</p> <p><i>(Article VII, Section 1 of the Corporation's By-Laws)</i></p> <p>The Corporation also follows the provision of the Corporation Code on proxies, requiring that proxies must bear the original signature of the registered stockholder of the Corporation. Additionally, in accordance with prudent corporate practices, the Corporation requires that if the registered stockholder is a corporation, the proxy must be accompanied by a resolution of the board of directors of said corporate shareholder or a Director's or Corporate Secretary's Certificate attesting to such resolution authorizing the issuance of the proxy to attend and vote the corporation's shares at the scheduled stockholders' meeting.</p>
Notary	Not required
Submission of Proxy	As stated in the By-Laws, the original proxy must be submitted to the office of the Corporate Secretary of the Corporation at least three (3) days before the scheduled stockholders' meeting.
Several Proxies	None
Validity of Proxy	The Corporation follows the provision of the Corporation Code that unless otherwise provided in the proxy itself, it shall be valid only for the stockholders' meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.
Proxies executed abroad	None
Invalidated Proxy	None. The Corporation pursues the policy stated in the Manual that subject to the requirements of the Corporation's By-Laws, the exercise of the stockholder's right to appoint a proxy shall not be unduly restricted and any doubt about the

	Company's Policies
	validity of a proxy should be resolved in the stockholder's favor.
Validation of Proxy	At least three (3) days before the date of the scheduled stockholders' meeting.
Violation of Proxy	None

(h) Sending of Notices

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

Policies	Procedure
<p>Subject to the rule on proxies and information statements under pertinent laws and rules, notices of every annual or special meeting of stockholders shall be mailed to the last known post office address of each Stockholder not less than ten (10) days prior to any such meeting, and in case of a special meeting such notice shall state the object or objects of the meeting. Notices of special meetings shall be sent by the person or persons issuing the call.</p> <p><i>(Article II, Section 3 of the Corporation's By-Laws)</i></p>	<p>At least two (2) weeks prior to the first quarterly Board meeting of the Corporation each year (usually in March or early April), the Corporate Secretary in coordination with the Chairman and President of the Corporation prepares the draft Notice/Agenda for the ASM scheduled on the last Friday of May of each year per the Corporation's By-Laws. The draft Notice/Agenda is sent to the members of the Board with the proposed Board resolution confirming the date, time and venue of the ASM as well as the record date for stockholders entitled to notice of and to vote at the ASM, together with the other materials for the 1<sup>st</sup> quarterly Board meeting. Upon its approval, the Corporation immediately discloses the schedule of the ASM and the record date via the SEC Form 17-C filed with the SEC and uploaded to the OdiSy of the PSE attaching a copy of the Board-approved Notice/Agenda.</p> <p>The Board-approved Notice/Agenda is then included in the Information Statement filed by the Corporation with the SEC and distributed to all security holders at least fifteen (15) business days before the date of the ASM in accordance with the SRC.</p>

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	639 (for 2012); 623 (for 2013)
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	Started on 27 April 2012 and ended on 4 May 2012 (for 2012); Started on 30 April 2013 and ended on 10 May 2013 (for 2013)
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	Started on 27 April 2012 and ended on 4 May 2012 (for 2012); Started on 30 April 2013 and ended on 10 May 2013 (for 2013)
<b>State whether CD format or hard copies were distributed</b>	Hard copies of the Definitive Information Statement (DIS) which includes the Management



	Report and other materials were distributed to the stockholders in 2012 while copies of the DIS in CD format were distributed to the stockholders in 2013.
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	N/A for 2012; For 2013, no request for hard copies of the DIS has been received to date.

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

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	No, it is the Definitive Information Statement distributed to the shareholders that contains these information.
The auditors to be appointed or re-appointed.	No, it is the Definitive Information Statement distributed to the shareholders that contains this information.
An explanation of the dividend policy, if any dividend is to be declared.	No, it is the Definitive Information Statement distributed to the shareholders that contains this information.
The amount payable for final dividends.	No
Documents required for proxy vote.	No. The Corporation does not request for a proxy as stated in the DIS distributed to the shareholders.

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

## 2) Treatment of Minority Stockholders

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

Policies	Implementation
<p>Please refer to the discussion in Part A (1) (b) of <i>Stockholders' Rights and Protection of Minority Stockholders' Interests</i>.</p> <p>Moreover, as stated in Part A, (5) (b), the removal of a director may be with or without cause; Provided, that removal without cause may not be used to deprive minority stockholders of the right of representation to which they may be entitled under the Corporation Code.</p>	<p>The Corporation's policies with respect to the treatment of minority stockholders are embodied in the Manual and compliance therewith is monitored by the Compliance Officer.</p>

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, the minority stockholders nominate the two (2) independent directors.

## K. INVESTORS RELATIONS PROGRAM

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

PCPPI has a Corporate Affairs and Communications (CAC) department which handles over-all Corporate Reputation strategy for the company. This includes Internal and External Communications policies which are developed and reviewed in coordination with PCPPI's Management Committee. Any external announcements on company developments such as press statements are cleared with the CAC department.

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

	Details
(1) Objectives	- To provide timely and relevant information to company stockholders as well as to the interested public in general - To consistently excite and engage current and potential stockholders in the business agenda of PCPPI
(2) Principles	- Proactively provide information to the general public following disclosures made to the SEC/PSE
(3) Modes of Communications	Annual Report, Annual Stockholders' Meeting, quarterly press releases on business results, regular press releases on company events
(4) Investors Relations Officer	Imran Moid, SVP and Chief Financial Officer Honeylin Castolo, VP for Corporate Planning

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

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

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

- Packaging more of the Company's products in returnable formats has not only expanded its markets and given its consumers more options in enjoying its beverages, but has also helped reduce waste and minimize packaging.
- The Company has reduced energy and transportation costs by increasing the production capabilities of its manufacturing plants, thereby bringing production closer to outlets and the consumers.
- The Company's long-term growth is sustained by renewable energy and other pro-green initiatives.
- Water stewardship is likewise a key, long-term focus area for the Company.
- The Company's employees has also volunteered in the Liter of Light project spearheaded by PepsiCo and My Shelter Foundation, an eco-friendly initiative to recycle PET bottles into 55-watt solar bulbs for underprivileged communities.

The Company's other community volunteering initiatives in 2012 include:

- an outreach program by Central Luzon Operations (CLO) office to the Katutubo Resettlement in Planas, Pampanga, wherein its volunteers shared food, bags and school supplies to 150 Aeta students and spent time playing and interacting with the children
- relief efforts and donations that reached the wee hours of the night by the Southern Tagalog Region Operations (STRO) in the different cities and municipalities in Laguna and Cavite that had been devastated by flash floods and monsoon rains
- a free medical and dental clinic for several families in Davao by Davao employees, who were actively supported by health workers, barangay leaders and the Beta Sigma fraternity

- a blood drive at the Company's Davao plant under the aegis of the Red Cross, hosted by Davao employees and participated in by the Company's community partners, haulers, plant neighbors and barangay officers.

This year, the Company is partnering with the Lotte Foundation in a year-long feeding program for schoolchildren who suffer from undernourishment and nutritional deficiencies—a project that underscores the Company's commitment to infuse health values and wellness benefits into its product portfolio. The project provides healthful food and snacks five times a week to about 500 children in the Tangos and San Roque elementary schools in Navotas. The Company's support is to supply the beverage requirements of the project, to help provide consistent nutrition that the students need to become productive and attentive in school.

Initiative	Beneficiary
See above	

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

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

	Process	Criteria
<b>Board of Directors</b>	<p>The CEO and the President are evaluated by the Board primarily on their leadership, teamwork and execution of the AOP for the relevant year and attainment of the corporate objectives, particularly, the operating targets set out in said AOP. Their performance is also evaluated <i>vis-à-vis</i> their compliance with their respective duties and responsibilities as set forth in the Corporation's By-Laws, the Manual, and their respective appointments.</p> <p>While there has been no formal system established to measure the performance of the Board and the Board committees, the evaluation by the stockholders of the effectiveness of the Board and its committees can be seen in the vote of confidence given to the members elected to the Board from year to year.</p>	
<b>Board Committees</b>		
<b>Individual Directors</b>		
<b>CEO/President</b>		

#### N. INTERNAL BREACHES AND SANCTIONS

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

The Company promotes an environment that fosters and maintains a high level of self-discipline among all employees. It recognizes that the ultimate responsibility for meeting acceptable standards of conduct and performance rests on each employee.

Violations	Sanctions
Absences And Tardiness	Counseling to Termination
Insubordination	Suspension to Termination
Fraud And Acts Of Dishonesty	Termination*
Misconduct And Misdemeanor	Counseling to Termination
Sabotage And Samage To Property	Suspension to Termination
Negligence And Omissions	Counseling to Termination

\* unless there are strong mitigating circumstances present

Pursuant to the requirement of the Securities and Exchange Commission, this Amended Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on MAR 28 2014.

**SIGNATURES**

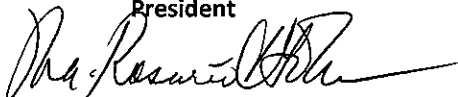
  
OSCAR S. REYES

Chairman of the Board / Independent Director



PARTHA CHAKRABARTI

President

  
MA. ROSARIO C. Z. NAVA

Compliance Officer

  
YEON-SUK NO

Chief Executive Officer

  
RAFAEL M. ALUNAN III

Independent Director

**MAKATI CITY**

SUBSCRIBED AND SWORN to before me this APR 16 2014, affiant(s) exhibiting to me their Passports as follows:

NAME/NO.		DATE OF ISSUE	PLACE OF ISSUE
OSCAR S. REYES	EB8380979	13 June 2013	DFA, Manila
YEON-SUK NO	M83102845	13 November 2008	Ministry of Foreign Affairs and Trade, Republic of Korea
PARTHA CHAKRABARTI	Z1751780	26 February 2008	Embassy of India, Manila
RAFAEL M. ALUNAN III	EB2173485	1 April 2011	DFA, Manila
MA. ROSARIO C. Z. NAVA	EB5963851	20 March 2013	DFA, NCR-West

NOTARY PUBLIC

**ATTY. GERVACIO B. ORTIZ JR.**  
NOTARY PUB. LIC. FOR MAKATI CITY  
UN TIL DECEMBER 31, 2014  
PTR NO. 3664330 / 01-02-2013 MAKATI  
ISD NO. 656155 - LIFE TIME MEMBER  
APPT. M-199 / 2014. ROLL NO. 40091

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Series of 2014.