

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)

Atty. Kristine N.L. Evangelista

Contact Person

894-0377

Company Telephone Number

1 2

Month

Fiscal Year

3 1

Day

SEC Form I-ACGR

FORM TYPE

Secondary License Type, If Applicable

Last Friday of May

Month

Date

Annual Meeting

C G F D

Dept. Requiring this Doc.

Amended Article Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

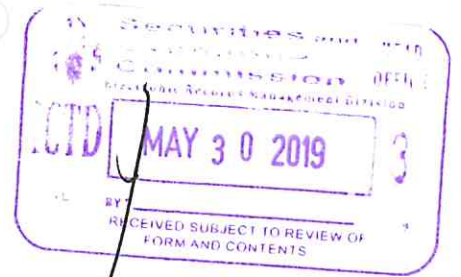
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SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended **31 December 2018**
2. SEC Identification Number **160968**
3. BIR Tax Identification No. **000-168-541**
4. Exact name of issuer as specified in its charter **PEPSI-COLA PRODUCTS PHILIPPINES, INC.**
5. **Philippines**
Province, Country or other jurisdiction
of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **Km. 29 National Road, Tunasan, Muntinlupa City**
Address of principal office
- 1773**
Postal Code
8. **(632) 887-3774**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board's Governance Responsibilities			
<p>Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.</p>			
Recommendation 1.1			
<p>1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.</p>	COMPLIANT	<p>Please refer to the following documents</p> <ul style="list-style-type: none"> ▪ Definitive Information Statement for 2018 filed on 02 May 2019 ("<u>2019 DIS</u>"), Item 5, pages 8-10 ▪ SEC Form 17-A for 2018 filed on 12 April 2019 ("<u>2019 Annual Report</u>"), Item 10, pages 18-19 	
<p>2. Board has an appropriate mix of competence and expertise.</p>			
<p>3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.</p>			
Recommendation 1.2			
<p>1. Board is composed of a majority of non-executive directors.</p>	COMPLIANT	<p>Of the nine (9) person Board of Directors (the "<u>Board</u>"), two (2) are executive directors while seven (7) are non-executive directors, including two (2) independent directors.</p> <p>Please refer to:</p> <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.1.1, page 2 ▪ 2019 DIS, Part B, Item 5, page 8 on "Background Information and Business Experience" of the Board 	

		<ul style="list-style-type: none"> 2019 Annual Report, Part III, Item 10, pages 18-19 on "Background Information and Business Experience" 	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	COMPLIANT	<p>There is a policy for the Board's training on Corporate Governance. Please refer to 2019 Manual, Section 4, page 26.</p> <p>The Board and key officers attended a four (4)-hour seminar on corporate governance organized by the Corporation and administered by ROAM, Inc. on 28 March 2019.</p> <p>Mr. Oscar S. Reyes attended a corporate governance enhancement session on "Sustainability Strategy in a Disruptive Business Environment: ESG Best Practices and Compliance Issues; and Blockchain Technology Use Cases and Strategic Benefits, Risks and Governance Issues" on 16 November 2018.</p> <p>The Board and key officers have also separately attended corporate governance and other trainings.</p>	
2. Company has an orientation program for first time directors.			
3. Company has relevant annual continuing training for all directors.			
Recommendation 1.4			
1. Board has a policy on board diversity.	COMPLIANT	<p>Please refer to the 2019 Manual, Section 2.2.1.1, page 2.</p> <p>There are currently eight (8) men and one (1) woman on the Board. There is a good mix of individuals of different nationalities (Korean, Indian, Singaporean, Australian, and Filipino) who are of varying ages, work experience,</p>	

		competencies, skills, expertise and knowledge that support board diversity.	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.	COMPLIANT	It is the Board's policy to encourage diversity in age, gender, ethnicity, culture, skills, competence and knowledge to ensure that optimal decision-making is achieved at the Board level. Please refer to 2019 Manual, Clause 2.2.1.1, page 2.	
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	COMPLIANT	The Board is assisted by the Corporate Secretary, Atty. Kristine Ninotschka L. Evangelista, and she is neither a member of the Board nor the Compliance Officer. Please refer to: <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.6, pages 23-24 ▪ Amended By-Laws, Article IV, Section 10, page 14 ▪ 2019 DIS, Part B, Item 5, page 11 ▪ 2019 Annual Report, Part III, Item 10, page 21 	
2. Corporate Secretary is a separate individual from the Compliance Officer.			
3. Corporate Secretary is not a member of the Board of Directors.			
4. Corporate Secretary attends training/s on corporate governance.	COMPLIANT	The Corporate Secretary attended the eight (8)-hour 5 th SEC-PSE Corporate Governance Forum on 23 October 2018 and the four (4)-hour seminar on Corporate Governance on 28 March 2019.	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	COMPLIANT	The Corporate Secretary distributes materials for board meetings seven (7) days before the scheduled meeting.	

Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	COMPLIANT	<p>The Compliance Officer is Atty. Lope R. Manuel, Jr. He is the Corporation's Vice-President for Legal and Government Affairs, and he is not a member of the Board.</p> <p>Please refer to:</p> <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.1, page 1 ▪ 2019 DIS, Part B, Item 5, page 11 ▪ 2019 Annual Report, Part III, Item 10, page 21 	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.			
3. Compliance Officer is not a member of the board.			
4. Compliance Officer attends training/s on corporate governance.			
<p>Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.</p>			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	COMPLIANT	Please refer to the 2019 Manual, Section 2.2.1.2, page 3.	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ 2019 Manual, Sections 2.2.1.2 and 2.2.1.3, pages 3-5 ▪ Management Report (Annex A of 2019 DIS), part VI, pages 8-9 	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.			
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	COMPLIANT	Please refer to the Corporation's website (www.pepsiphilippines.com), "Our Company" page, on "Our Mission, Vision and Values" tab.	

<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>		<p>Please refer to:</p> <ul style="list-style-type: none"> • 2019 Annual Report, Part I, Item 1, pages 3-6 • Management Report (Annex A of 2019 DIS), Part I, page 2 on "Customers/ Distribution Methods of the Products" and "Principal Suppliers" <p>The Board reviews business objectives and strategy at its regular meetings, which are held at such times as the Board may determine. Please refer to the Corporation's By-Laws, Article III, Section 2, page 4. In 2018, there were five (5) regular meetings of the Board.</p>	
Recommendation 2.3			
<p>1. Board is headed by a competent and qualified Chairperson.</p>	<p>COMPLIANT</p>	<p>The Chairman of the Board, Mr. Oscar S. Reyes, is competent, qualified and a well-accomplished business executive with years of experience in directorship and corporate governance.</p> <p>Please refer to:</p> <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.3, pages 22-23 ▪ By-Laws, Article IV, Section 2, page 13 ▪ 2019 DIS, Part B, Item 5, page 10 ▪ 2019 Annual Report, Part III, Item 10, page 19 	
Recommendation 2.4			
<p>1. Board ensures and adopts an effective succession planning program for directors, key officers and management.</p>	<p>COMPLIANT</p>	<p>Please refer to the 2019 Manual, Section 2.2.1.3, page 3, and Section 2.2.1.5, page 7.</p>	

2. Board adopts a policy on the retirement for directors and key officers.			
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> 2019 Manual, Section 2.2.2.4.1, pages 21-22 2019 DIS, Part B, Item 6, page 13 on "Compensation of Directors and Executive Officers" 2019 Annual Report, Part III, Item 11, page 21 on "Executive Compensation" 	
2. Board adopts a policy specifying the relationship between remuneration and performance.			
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	COMPLIANT	The approval of the payment of the Board's annual compensation and fees was approved by the stockholders, and not the Board.	
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	COMPLIANT	Please refer to the 2019 Manual, Section 2.2.2.4.2, page 22.	
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.		Please refer to the 2019 Manual, Section 2.2.1.3, page 3, and Section 2.2.2.3.6, page 20.	
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> By-Laws, Article III-A, Section 4 2019 Manual, Section 2.2.2.3.2, pages 15-20 2019 DIS, Part B, Item 5, page 12 	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.			

3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.			
4. Board nomination and election policy includes how the board shortlists candidates.			
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	COMPLIANT		
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.			
Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.			
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	COMPLIANT	Please refer to:	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.		<ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.1.3, page 4 ▪ Note 22 on the Audited Financial Statements for the calendar years ended 31 December 2018, 2017 and 2016 filed on 12 April 2019 ("<u>AFS</u>") 	
3. RPT policy encompasses all entities within the group, taking into account their size,			

structure, risk profile and complexity of operations.			
Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.1.3, page 4 ▪ Note 22 on the Audited Financial Statements for the calendar years ended 31 December 2018, 2017 and 2016 filed on 12 April 2019 ("<u>AFS</u>") 	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	NON-COMPLIANT		There is no established voting system with respect to approval of specific types of related-party transactions (" <u>RPTs</u> "). The Corporation enters into RPTs on an arm's length basis, and in the interest of transparency, consistently reports its RPTs in the Corporation's AFS, Annual Reports, and DIS. Significant RPTs are reviewed by the Board through the Audit Committee, which includes the two (2) independent directors. Please refer to: <ul style="list-style-type: none"> ▪ AFS, Note 22, pages 42-43 ▪ 2019 Annual Report, Part III, Item 13, page 25 ▪ 2019 DIS, Part B, Item 4, page 6
Recommendation 2.8			

<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>COMPLIANT</p>	<p>Please refer to the 2019 Manual, Section 2.2.1.3, page 3.</p> <p>On the identity of the Management team, please refer to the following documents:</p> <ul style="list-style-type: none"> ▪ 2019 DIS, Part B, Item 5, pages 7-8 on "Executive Officers" ▪ 2019 Annual Report, Part III, Item 10, pages 17-18 on "Executive Officers" 	
<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>		<p>Please refer to the 2019 Manual, Section 2.2.1.3, page 3.</p>	
<p>Recommendation 2.9</p>			
<p>1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.</p>	<p>COMPLIANT</p>	<p>Please refer to the 2019 Manual, Section 1, page 1, and Section 2.2.1.3, page 3.</p>	
<p>2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.</p>			
<p>Recommendation 2.10</p>			
<p>1. Board oversees that an appropriate internal control system is in place.</p>	<p>COMPLIANT</p>	<p>Please refer to the 2019 Manual, Section 2.2.1.5, page 7.</p>	
<p>2. The internal control system includes a mechanism for monitoring and managing</p>			

potential conflict of interest of the Management, members and shareholders.			
3. Board approves the Internal Audit Charter.	NON-COMPLIANT		The Corporation is in the process of preparing and obtaining Board approval for the Audit Committee Charter.
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.1.5, page 7 ▪ Management Report (Annex A of 2019 DIS), Part V, pages 5-6 on "Results of Operations" in connection with part I, pages 1-2 on the "Philippine Beverage Industry" and Part V, page 6 on "Financial Condition and Liquidity" and "Events that may Trigger Direct or Contingent Obligations, and page 8 on "Factors that may Impact the Corporation's Operations/ Seasonality Aspects" ▪ 2019 Annual Report, Part III, Item 6, pages 13-14 on "Results of Operations" in connection with Part I, Item 1(2)(o), page 8-9 on "Major Risks" 	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.			
Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	COMPLIANT	The Board's roles, responsibilities and accountabilities are set out in the following documents: <ul style="list-style-type: none"> ▪ By-Laws, Article III ▪ 2019 Manual, Sections 2.2.1.1-2.2.1.4, pages 2-7 The Board is in the process of consolidating the above into a comprehensive charter.	
2. Board Charter serves as a guide to the directors in the performance of their functions.			
3. Board Charter is publicly available and posted on the company's website.			

		The By-Laws and 2019 Manual are found on the Corporation's website (www.pepsiphilippines.com).	
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	COMPLIANT	The Corporation has a policy regarding the Blackout Rule, to prevent insider trading.	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.			
2. Company discloses the types of decision requiring board of directors' approval.			
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.2, pages 8-22 ▪ SEC Form 17-C filed on 1 February 2018 on the reorganization of the Board committees 	
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	COMPLIANT	Please refer to 2019 Manual, Sections 2.2.2.2, pages 10-14. The appointment, reappointment, removal and fees of the external auditor shall be recommended by the Audit Committee, approved by the Board, and ratified by the stockholders. Please refer to the 2019 Manual, Section 2.2.2.4, page 11.	

2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.		Please refer to: <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.2.2, page 10 ▪ Management Report (Annex A of 2019 DIS), Part VI, page 9 on "Audit Committee," and 2019 DIS, Part B, Item 5, pages 9-10 on "Background Information and Business Experience" of the members of the Board 	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.		Please refer to the 2019 DIS, Part B, Item 5, pages 9-10 on "Background Information and Business Experience."	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	NON-COMPLIANT		The 2019 Manual provides that the Chairman of the Audit Committee must not be the Chairman of the Board or of any other committee. The Corporation is in the process of aligning the existing board committees and their composition with the 2019 Manual, as it requires the amendment of the Articles of Incorporation and By-Laws.
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 DIS, Part B, Item 7, page 14 ▪ 2019 Annual Report, Part III, Item 8, page 16 	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.		The minutes of the Audit Committee would show that, from time to time, the external audit team is requested to attend meetings of the Audit Committee to make presentations and reply to inquiries on matters relating to the Corporation's financial statements.	

		The Independent Directors, who are Audit Committee members, are free to directly inquire from or discuss with the external audit team whenever there is a need to clarify issues arising from the audit or any non-audit work for which the external audit team has been engaged.	
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.	COMPLIANT	The Audit Committee meets at least once every three (3) months. Please refer to: <ul style="list-style-type: none"> ▪ By-Laws, Article III, Section 10.2 ▪ 2019 Manual, Section 2.2.2.2, page 10 	
2. Audit Committee approves the appointment and removal of the internal auditor.	NON-COMPLIANT		Please see the 2019 Manual, Section 2.2.9, page 25. The Internal Audit Department is headed by the Chief Audit Executive, who reports to the Audit Committee.
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.	COMPLIANT	Please refer to 2019 Manual, Sections 2.2.2.3.6-2.2.2.3.11, pages 20-21. Prior to the 2019 Manual, the Audit Committee carried out the corporate governance functions.	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	NON-COMPLIANT		The Corporation only has two (2) independent directors. Hence, the composition of the Audit Committee, which previously carried out corporate governance functions, was comprised of three directors, majority of which were independent directors.

			<p>Under the 2019 Manual, the Nomination and Governance Committee is composed of only independent directors and non-executive directors.</p> <p>The Corporation is in the process of aligning the existing board committees and their composition with the 2019 Manual, as it requires the amendment of the Articles of Incorporation and By-Laws.</p>
3. Chairman of the Corporate Governance Committee is an independent director.	COMPLIANT	The Audit Committee, which currently carries out corporate governance functions, is chaired by Mr. Rafael Alunan III, who is an independent director. Please refer to 2019 DIS, Part B, Item 5, page 9.	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meet at least twice during the year.	COMPLIANT	<p>The Nomination and Governance Committee, which carried out corporate governance function, met at least once every three (3) months. Please refer to:</p> <ul style="list-style-type: none"> ▪ By-Laws, Article III, Section 10.2 ▪ 2019 Manual, Section 2.2.2.3, page 15 	
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	NON-COMPLIANT		The Audit Committee is responsible for risk oversight, and the Corporation has determined that there is no need to establish a separate BROC considering the Corporation's

2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.			structure, size, risk profile, and nature of its operations.
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.			
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.			
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	NON-COMPLIANT		The Audit Committee is responsible for the review and approval of RPTs. The Corporation has determined that there is no need to establish a separate RPT Committee. Please refer to the 2019 Manual, Section 2.2.1.3, page 4.
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.			The Audit Committee, which carries out the functions of an RPT committee, is composed of three (3) non-executive directors, two (2) of which are independent.
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	NON-COMPLIANT		The Corporation is in the process of preparing and getting board approval for the committee charters. These contain the functions of each committee and the standards and system or mechanism to assess the performance of each committee, as provided in the 2019 Manual.
2. Committee Charters provide standards for evaluating the performance of the Committees.	NON-COMPLIANT		

3. Committee Charters were fully disclosed on the company's website.			
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			
1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ By-Laws, Article III, Section 6, page 5 ▪ 2019 Manual, Section 2.2.1.4, page 6 	
2. The directors review meeting materials for all Board and Committee meetings.		The members of the Board are provided with copies of all the materials to be discussed during the meeting at least seven (7) days before the meeting, and are provided with printed copies of the materials during the meeting.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.		The minutes of the regular and special board meetings note the questions asked, and the clarifications and explanations made, during the Board and board committee meetings.	
Recommendation 4.2			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	COMPLIANT	Please refer to 2019 Manual, Section 2.2.1.4, page 6. Non-executive directors such as Mr. Jay Buckley, Ms. Wei Wei Yao, Mr. Younggoo Lee, Mr. Byoung Tak Hur, Mr. Tae Hyeon Kim, and Mr. Rafael Alunan III are currently not on the Board of Directors of other publicly-listed companies in the Philippines.	
Recommendation 4.3			

1. The directors notify the company's board before accepting a directorship in another company.	COMPLIANT	Please refer to the 2019 Manual, Section 2.2.1.4, page 6. The independent directors are also requested to issue a Certification of Independent Director to inform the Board of their directorships.	
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	COMPLIANT	The Executive Directors, Mr. Yongsang You and Mr. Samudra Bhattacharya, do not serve as directors in boards of any other listed Philippine companies.	
2. Company schedules board of directors' meetings before the start of the financial 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.	
3. Board of directors meet at least six times during the year.		In 2018, there were four (4) regular meetings and eight (8) special meetings of the Board, or a total of twelve (12) board meetings.	
4. Company requires as minimum quorum of at least 2/3 for board decisions.	COMPLIANT	<p>Article III, Section 5 of the By-Laws provides that a quorum at any meeting of the Board 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 AOI, the By-Laws, or by law.</p> <p>The Twelfth Article, paragraph (e) of the AOI and Article III, Section 13 of the By-Laws both</p>	

		provide that for as long as the Exclusive Bottling 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 certain acts specified therein.	
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	NON-COMPLIANT		<p>The Board, comprised of nine (9) directors, has two (2) Independent Directors and five (5) Non-Executive Directors.</p> <p>The IDs and NEDs collectively assure objective and independent judgment on matters brought to the Board for decision, providing the necessary checks and balances.</p>
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	COMPLIANT	Please refer to 2019 Manual, Section 2.2.2.3, pages 16-20.	
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	COMPLIANT	All directors are aware of their obligation to exercise independent business judgment on issues affecting the Corporation. Please refer to 2019 Manual, Section 2.2.1.4, page 6.	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 DIS, Part B, Item 5, page 7 ▪ 2019 Manual, Section 2.2.1.6, page 8 	

2. The company bars an independent director from serving in such capacity after the term limit of nine years.			
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.			
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	COMPLIANT	The Chairman of the Board is Mr. Oscar S. Reyes, while the Chief Executive Officer is Mr. Yongsang You.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	COMPLIANT	Please refer to the 2019 Manual, Section 2.2.3, page 23 on "The Chairman of the Board" and Section 2.2.5, page 23 on "The Chief Executive Officer". The Chairman and CEO are not related to each other.	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	COMPLIANT	The Chairman of the Board is an Independent Director. With respect to the policy, please refer to the 2019 Manual, Section 2.2.3, page 23.	
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	COMPLIANT	The Directors are aware of the policy. Please refer to the 2019 Manual, Section 2.2.1.4, page 6.	
Recommendation 5.7			

1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	COMPLIANT	The Corporation has a policy which reflects this recommendation, found in the 2019 Manual, Section 2.2.1.4, page 6.	
2. The meetings are chaired by the lead independent director.		All meetings, which shall tackle external and internal audit processes, compliance and risk oversight, come under the purview of the Audit Committee. The Chairman of the Audit Committee is an independent director.	
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.	COMPLIANT	None of the IDs and NEDs served as former CEO of the Corporation in the past two (2) years. Mr. Yongsang You has been the CEO of the Corporation since 15 June 2015.	
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	COMPLIANT	Please refer to the 2019 Manual, Section 7, page 28-29.	
2. The Chairman conducts a self-assessment of his performance.			
3. The individual members conduct a self-assessment of their performance.			
4. Each committee conducts a self-assessment of its performance.			
5. Every three years, the assessments are supported by an external facilitator.		The Corporation is in the process of drafting its Board assessment framework and may consider the support of an external facilitator.	
Recommendation 6.2			

1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	COMPLIANT	Please refer to the 2019 Manual, Section 7, pages 28-29.	
2. The system allows for a feedback mechanism from the shareholders.		The Corporation is in the process of drafting its Board assessment framework and may consider the support of an external facilitator.	
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			
1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	COMPLIANT	Please refer to the 2019 Manual, Section 2.2.1.3, page 5. The Code of Business Conduct and Ethics can be found at the Corporation's website, under "Corporate Governance" and "Code of Business Conduct and Ethics" at https://www.pepsiphilippines.com/corpgovernance2.php .	
2. The Code is properly disseminated to the Board, senior management and employees.	COMPLIANT	Please refer to the 2019 Manual, Section 2.2.1.3, page 5.	
3. The Code is disclosed and made available to the public through the company website.		The Code can be found at the Corporation's website, under "Corporate Governance" and "Code of Business Conduct and Ethics" at https://www.pepsiphilippines.com/corpgovernance2.php .	
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	COMPLIANT	the Corporation's website, under "Corporate Governance" and "Company Policies" at https://www.pepsiphilippines.com/corpgovernance4.php .	

Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	COMPLIANT	Directors, senior management and employees are required to comply with the Code of Business Conduct and Ethics.	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.		Please refer to the 2019 Manual, Section 2.2.1.3, page 5.	
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	COMPLIANT	Please refer to the 2019 Manual, Section 5, page 27.	
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	COMPLIANT	Annual Reports (" <u>SEC Form 17-A</u> ") are filed and published in accordance with Rule 17.1.1.1.1 of the 2015 SRC Rules within one hundred five (105) calendar days from the end of the fiscal year. The SEC Form 17-A for 2018 was filed on 12 April 2019. Interim reports (" <u>SEC Form 17-Q</u> ") are filed and published in accordance with Rule 17.1.1.1.2 of the 2015 SRC Rules within forty-five (45) calendar days from the end of the reporting period. The SEC Form 17-Q for the periods ended 31 March 2018, 30 June 2018, and 30 September 2018 were filed within forty-five days from the end of the reporting period.	

<p>2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>	<p>COMPLIANT</p>	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ 2019 DIS, Part B, Item 4, page 6 on "Changes in Control" and "certain Relationships and Related Transactions" ▪ 2019 Annual Report, Part III, Item 12, page 25 on "Changes in Control" and item 13, page 25 on "Certain Relationships and Related Transactions" 	
Recommendation 8.2			
<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>COMPLIANT</p>	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.1.4, page 6 ▪ SEC Forms 23-A and 23-B uploaded to the PSE Edge and posted in the Corporation's website in 2018 under "SEC Reports", under "Investor Relations & Disclosures" at https://www.pepsiphilippines.com/investors.php 	
<p>2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>COMPLIANT</p>		
Supplement to Recommendation 8.2			
<p>1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</p>	<p>COMPLIANT</p>	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ 2019 DIS, Part B, Item 4, page 4 on "Security Ownership of Record and Beneficial Owners of at least 5% of The Corporation's Securities as of 31 March 2019" and pages 5-6 on "Security Ownership of Management as of 31 March 2019" ▪ 2019 Annual Report, Part III, Item 12, page 23 on "Security Ownership of Record and Beneficial Owners of at Least 5% of Our Securities as of 28 February 2019" and pages 24-25 on 	

		<p>"Security Ownership of Management as of 28 February 2018"</p> <ul style="list-style-type: none"> List of Top 100 Stockholders uploaded to the PSE Edge and posted on the corporation's website under "Investor Relations & Disclosures" at https://www.pepsiphilippines.com/investors.php <p>The Shareholdings Structure and Group Corporate Structure are provided in the website, at https://www.pepsiphilippines.com/pccppileaders.php.</p>	
Recommendation 8.3			
<p>1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> 2019 DIS, Part B, Item 4, page 6 on "Security Ownership of Management as of 31 March 2019" 2019 DIS, Part B, Item 5, pages 9-10 on "Background Information and Business Experience" of the Directors 2019 Annual Report, Part III, Item 12, page 24 on "Security Ownership of Management as of 28 February 2019" 2019 Annual Report, Part III, Item 10, pages 19-20 on "Background Information and Business Experience" of the Directors <p>The Board attended a four (4)-hour seminar on corporate governance on 28 March 2019.</p>	
<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>			
Recommendation 8.4			
<p>1. Company provides a clear disclosure of its policies and procedure for setting Board</p>	COMPLIANT	Please refer to:	

<p>remuneration, including the level and mix of the same.</p>		<ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.2.3.1, page 15 and Section 2.2.2.3.5, page 20 ▪ By-Laws, Article III, Section 11, pages 8-9 	
<p>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</p>		<p>Please refer to the 2019 Manual, Section 2.2.2.3.5, page 20</p>	
<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>NON-COMPLIANT</p>		<p>The aggregate compensation of officers (including the top five (5) executives) and directors are disclosed in the Annual Report and the Information Statement in compliance with Securities Regulation Code ("<u>SR</u>C") Rule 17, and Annex C of the SRC Rules.</p> <p>Please refer to:</p> <ul style="list-style-type: none"> ▪ 2019 DIS, Part B, Item 6, page 14 on "Compensation of Directors and Executive Officers" ▪ 2019 Annual Report, Part III, Item 11, page 22 on "Executive Compensation" <p>The Corporation shall prepare the compensation report for directors following the rules that the SEC will issue, as provided in Sec. 49 of the Revised Corporation Code.</p>
<p>Recommendation 8.5</p>			
<p>1. Company discloses its policies governing Related Party Transactions (RPTs) and other</p>	<p>COMPLIANT</p>	<p>Please refer to the 2019 Manual, Sections 2.2.2.2.20 up to 2.2.2.2.25, pages 13-14.</p>	

unusual or infrequently occurring transactions in their Manual on Corporate Governance.		The directors are aware of the policy reflected in the 2019 Manual.	
2. Company discloses material or significant RPTs reviewed and approved during the year.		Please refer to the AFS, Notes 22 and 23, pages 42-45 on "Related Party Transactions" and "Significant Agreements."	
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.2.1.4, page 6 ▪ 2019 DIS, Part B, Item 5, pages 11-12 ▪ 2019 Annual Report, Part III, Item 10, page 21 	
Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	COMPLIANT		
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 Manual, Section 5.3, page 27 ▪ SEC Form 17-Cs uploaded to the PSE EDGE and posted in the Corporation's website in 2018. 	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	COMPLIANT	The Board has not had occasion to appoint such independent party because the Corporation has not made any material reclassification nor entered into a merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business in the past three years.	

Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> 2019 DIS, Part B, Item 4, page 7 on "Changes in Control and "Certain Relationships and Related Transactions" 2019 Annual Report, Part III, Item 12, page 23 on "Changes in Control" and Item 13, page 25 on "Certain Relationships and Related Transactions" 	
Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT	The 2019 Manual may be found at http://www.pepsiphilippines.com/corpgovernance.php .	
2. Company's MCG is submitted to the SEC and PSE.		The 2019 Manual was filed with the SEC and disclosed to the PSE.	
3. Company's MCG is posted on its company website.	COMPLIANT		
Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	COMPLIANT	The copy of the 2019 Manual, received by the SEC, has been disclosed to the PSE through PSE EDGE, at: http://edge.pse.com.ph/openDiscViewer.do?edge_no=08e97bf041696ffcefdcf15ec263a54d#sthash.0dMbVAN6.dpbs	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:	COMPLIANT	Please refer to the following portions of the 2019 Annual Report:	

a. Corporate Objectives		<ul style="list-style-type: none"> ▪ Part I, Item 1(1)(a), page 3 ▪ Part III, Items 6-9, pages 13-17 ▪ Part I, Items 1-3, pages 3-10 ▪ Part II, Item 5, page 13 ▪ Part III, Item 10, pages 17-20 	
b. Financial performance indicators			
c. Non-financial performance indicators			
d. Dividend Policy			
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors			
f. Attendance details of each director in all directors meetings held during the year	NON-COMPLIANT	<ul style="list-style-type: none"> ▪ Part III, Item 11, Page 22 	<p>The attendance will be disclosed in the Definitive Information Statement for the Annual Stockholders' Meeting in 2020, in compliance with the Revised Corporation Code.</p>
g. Total remuneration of each member of the board of directors	NON-COMPLIANT		
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.	NON-COMPLIANT		<p>The required information will be reported in the Annual Report for the year 2019, which will be filed and disclosed in April 2020.</p>
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.			
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.			

5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).	COMPLIANT	Please refer to the 2019 Annual Report, Part I, Item 1(2)(o), pages 8-9 on "Major Risks."	
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.2.2.4, page 11 ▪ Minutes of the Annual Stockholders' Meeting held on 11 May 2018, which can be accessed at the Corporation's website: http://www.pepsiphilippines.com/investors.php. 	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	COMPLIANT	During the 2018 Annual Stockholders' Meeting of the Corporation held on 11 May 2018, the stockholders ratified the reappointment of the external auditor, R.G. Manabat & Co.	
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.		There is a policy governing this matter in the 2019 Manual, Clause 2.2.2.2.4, page 11. However, the Corporation has not had the occasion to cause the removal or change of its external auditor.	
Supplement to Recommendation 9.1			
1. Company has a policy of rotating the lead audit partner every five years.	COMPLIANT	Please refer to the 2019 Manual, Section 2.2.8.3, page 25.	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on:	NON-COMPLIANT		The Corporation is in the process of consolidating the functions and

<p>i. assessing the integrity and independence of external auditors;</p> <p>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</p> <p>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p>			<p>responsibilities of the Audit Committee from the By-Laws and the 2019 Manual into an Audit Committee Charter for the approval of the Board.</p>
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>			
<p>Supplement to Recommendations 9.2</p>			
<p>1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.</p>	<p>COMPLIANT</p>	<p>Please refer to:</p> <ul style="list-style-type: none"> • 2019 Manual, Section 2.2.2.2.4, page 11 • AFS, Note 22, pages 42-43. 	
<p>2. Audit Committee ensures that the external auditor has adequate quality control procedures.</p>			
<p>Recommendation 9.3</p>			
<p>1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.</p>	<p>COMPLIANT</p>	<p>The external auditor performed the following non-audit services for the Corporation in 2018: tax accounting, compliance, advice, planning and other tax services.</p>	

		Please refer to: <ul style="list-style-type: none"> ▪ 2019 DIS, Part B, Item 7, page 14 ▪ 2019 Annual Report, Part II, Item 8, page 16 	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.		Please refer to the 2019 Manual, Section 2.2.2.2.11, page 12.	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 DIS, part B, Item 7, pages 14-15 ▪ 2019 Annual Report, Part III, Item 8, page 16 on "Information on the Public Accountant" 	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	COMPLIANT	<p>Please refer to the signature portion of the Report of Independent Auditors attached to the AFS.</p> <p>The SEC Accreditation No. of the Corporation's external auditor, R.G. Manabat & Co. is 0004-FR-5, Group A, issued on 16 November 2017 and valid until 15 November 2020.</p> <p>The signing Partner of R.G. Manabat & Co. is Mr. Vernilo G. Yu, with SEC Accreditation number 1574-A, Group A issued on 11 August 2016 and valid until 11 August 2019.</p> <p>Below is the contact information of R.G. Manabat & Co.:</p>	

		Address: 9/F, The KPMG Center, 6787 Ayala Ave., Makati City Telephone: (632) 885-7000 Fax: (632) 894-1985	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).		As a Group A audit firm accredited by the SEC, R.G. Manabat & Co. is covered and must comply with the directives and requirements of the SEC for the oversight assurance review.	

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



Recommendation 10.1

1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	COMPLIANT	Please refer to the 2019 Manual, Section 2.2.1.3, page 5.	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.		While not yet mandatory, the Corporation voluntarily filed the 2018 Annual and Sustainability Report with the SEC and disclosed with the PSE on PSE EDGE.	

Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.

Recommendation 11.1

1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	COMPLIANT	Shareholders are provided relevant information through public records, communication media, the Corporation's website, the disclosures, announcements and reports filed with the SEC, PSE and other regulating agencies. ▪ https://www.pepsiphilippines.com	
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Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:	COMPLIANT	https://www.pepsiphilippines.com or http://www.pepsiphilippines.com/investors.ph 	
a. Financial statements/reports (latest quarterly)			
b. Materials provided in briefings to analysts and media			
c. Downloadable annual report	COMPLIANT		
d. Notice of ASM and/or SSM			
e. Minutes of ASM and/or SSM			
f. Company's Articles of Incorporation and By-Laws			
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	COMPLIANT	https://www.pepsiphilippines.com or http://www.pepsiphilippines.com/investors.ph 	
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 2019 Manual, Section 2.2.1.5, page 7 and Section 2.2.2.2, page 10 	

		<ul style="list-style-type: none"> ▪ AFS, Statement of Management's Responsibility for Financial Statements 	
<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>		<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Management Report (Annex A of 2019 DIS), Part I, pages 1-2 on "Philippine Beverage Industry" and "Principal Suppliers," Part V, page 7 on "Financial Condition and Liquidity" and "Events that may Trigger Direct or Contingent Obligations" and page 8 on "Factors that may Impact the Corporation's Operations/ Seasonality Aspects" ▪ 2019 Manual, Section 2.2.1.5, page 7 ▪ 2019 Annual Report, Part I, Item 1(2)(o), pages 8-9 on "Major Risks" 	
Supplement to Recommendations 12.1			
<p>1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	<p>COMPLIANT</p>	<p>Please refer to the Corporation's 2019 Manual.</p> <p>The 2019 Manual is subject to review annually or such other frequency of review as the Board may, in its discretion, decide.</p>	
Optional: Recommendation 12.1			
<p>1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.</p>			
Recommendation 12.2			

1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	COMPLIANT	The internal audit function is undertaken in-house. Please refer to the 2019 Manual, Section 2.2.9, page 25.	
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	COMPLIANT	The Corporation's Senior Vice-President and Chief Financial Officer, Mr. Khaled Metwalli, is the Chief Audit Executive. Prior to his assumption of this position, Mr. Imran Moid served as Senior Vice-President and Chief Financial Officer, and Chief Audit Executive. The responsibilities of the Chief Audit Executive are laid down in Section 2.2.9 of the 2019 Manual.	
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	COMPLIANT		
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	COMPLIANT	The internal audit function is undertaken in-house. Please refer to the 2019 Manual, Section 2.2.9, page 25.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	COMPLIANT	Please refer to the 2019 Manual, Sections 2.2.2.2.12 up to 2.2.2.2.19, pages 12-13.	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	COMPLIANT	The Chief Risk Officer, as the ultimate champion of Enterprise Risk Management has responsibility to seek support in managing the ERM system.	

		Please see the 2019 Manual, Section 2.2.7, page 24.	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	COMPLIANT	The Corporation's AVP- Tax and Reporting, Mr. Agustin S. Sarmiento, is the Chief Risk Officer.	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.		The responsibilities of a Chief Risk Officer are laid down in Section 2.2.7 of the 2019 Manual.	
Additional Recommendation to Principle 12			
1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	COMPLIANT	Please refer to the Statement of Management's Responsibility for the AFS signed by the Chief Executive Officer and the Chief Financial Officer, who is also the Chief Audit Executive.	
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	COMPLIANT	Please refer to the 2019 Manual, Section 6, page 28.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.		The 2019 Manual, where the basic shareholder rights are disclosed, is posted on the Corporation's website, and can be found at http://www.pepsiphilippines.com/corpgovernance.php .	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	COMPLIANT	Please refer to 2019 DIS, Item 19, page 17.	

2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.		Please refer to 2019 DIS, Item 4, page 4.	
3. Board has an effective, secure, and efficient voting system.		Please refer to 2019 DIS, Item 19, page 17.	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.		Please refer to 2019 DIS, Item 4, page 4.	
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	COMPLIANT	Please refer to the 2019 Manual, Section 6, page 28.	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.		Please refer to the 2019 Manual, Section 6, page 28.	
7. Company has a transparent and specific dividend policy.		<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ 2019 Annual Report, Part II, Item 5, page 13 ▪ Management Report (Annex A of 2019 DIS), Part II, pages 4-5 on "Dividend Policy" <p>The Corporation declared dividends on 16 April 2018, and such was paid on 25 May 2018.</p>	
Optional: Recommendation 13.1			

1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.			
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	COMPLIANT	The Notice and Agenda for the 2019 ASM was uploaded to the PSE EDGE on 10 April 2019, which is more than 28 days before the 24 May 2019 Annual Stockholders' Meeting.	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	COMPLIANT	Please refer to the following pages of the 2019 DIS to which the Notice of the Annual Stockholders' Meeting was attached:	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	COMPLIANT	Item 5, pages 7-13.	
b. Auditors seeking appointment/re-appointment		Item 7, page 14.	
c. Proxy documents		After the signature page of the 2019 DIS.	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	COMPLIANT	The agenda items for the 2019 Annual Stockholders' Meeting were self-explanatory and did not require further explanation.	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	COMPLIANT	The relevant SEC Form 17-C reflecting the results of the 2019 Annual Stockholders' Meeting was disclosed to the PSE via PSE EDGE on the same day as a meeting, and a copy of such form was filed with the SEC on 27 May 2019.	

<p>2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.</p>	<p>COMPLIANT</p>	<p>The Corporation causes the Minutes of the Annual Stockholders' Meeting to be posted on the Corporation's website within five (5) business days from the date of the meeting.</p> <p>The voting results for the agenda items can be found in the Minutes of the Meeting for the 2019 Annual Stockholders' Meeting.</p> <p>The stockholders were given an opportunity to ask questions on the different agenda matters, and to bring up other matters not included in the agenda.</p>	
<p>Supplement to Recommendation 13.3</p>			
<p>1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.</p>	<p>COMPLIANT</p>	<p>The external auditor and other relevant individuals such as the stock transfer agent are present at every Annual Stockholders' Meeting including the 2019 Annual Stockholders' Meeting.</p>	
<p>Recommendation 13.4</p>			
<p>1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.</p>	<p>COMPLIANT</p>	<p>The policy to formulate an alternative dispute mechanism is stated in Section 2.2.1.3 of the 2019 Manual.</p>	
<p>2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.</p>			
<p>Recommendation 13.5</p>			
<p>1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.</p>	<p>COMPLIANT</p>	<p>The Investor Relations Officer ("IRO") is Mr. Khaled Metwalli. Below are the details of his office:</p>	

		<ul style="list-style-type: none"> Address: Km. 29 National Road, Tunasan, Muntinlupa City Telephone number: (02) 887-3774 	
2. IRO is present at every shareholder's meeting.		The IRO was present at the 2019 Annual Stockholders' Meeting.	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	COMPLIANT	The Board is committed to respect the rights of the stockholders as provided for in the Revised 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.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.		As of 30 April 2019, the Corporation's public float is [•].	
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting			
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.			
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> 2018 Annual and Sustainability Report, page 13 on "Our Sustainability Play" 	

		<p>and page 14, on "From Framework to Action"</p> <ul style="list-style-type: none"> Corporation's website at http://www.pepsiphilippines.com/whattwebelieve.php 	
Recommendation 14.2			
<p>1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.</p>	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> Corporation's website on "Whistleblowing Policy" at http://www.pepsiphilippines.com/corpgovernance4.php 2018 Annual and Sustainability Report, page 15 on "Our Stakeholder and Materiality Review" and page 47 on "It's a Team Effort!: Policies and Guidelines for Employees" 	
Recommendation 14.3			
<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.</p>	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> Corporation's website at http://www.pepsiphilippines.com/whattwebelieve.php Corporation's website on "Whistleblowing Policy" at http://www.pepsiphilippines.com/corpgovernance4.php 2018 Annual and Sustainability Report, page 28 on "Industrial Peace at the Pepsi Plants," page 29 on "Occupational Safety and Health," pages 39-40 on "Circular Economy" and "Inclusive Business" and page 47 on "It's a Team Effort!: Policies and Guidelines for Employees" 	

Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders is settled in a fair and expeditious manner.	COMPLIANT	The policy to formulate an alternative dispute mechanism is stated in Section 2.2.1.3 of the 2019 Manual. Please refer to the Corporation's website for their policy on Conflict Resolution at http://www.pepsiphilippines.com/corpgov/BusinessConduct-table.pdf .	
Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	COMPLIANT	The Corporation is not aware of any exemption that it has sought during the period covered by this Report from the application of a law, rule or regulation especially when it refers to a corporate governance issue.	
2. Company respects intellectual property rights.		Please refer to 2019 Annual Report, Part I, Item 2(i), page 6.	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare			
2. Company discloses its policies and practices that address supplier/contractor selection procedures			
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ Corporation's website on "Whistleblowing Policy" at 	

<p>actively participate in the realization of the company's goals and in its governance.</p>		<p>http://www.pepsiphilippines.com/corp_governance4.php</p> <ul style="list-style-type: none"> ▪ 2018 Annual and Sustainability Report, pages 21-27 on "Prioritizing Our People," page 28 on "Industrial Peace at the Pepsi Plants," page 29 on "Occupational Safety and Health," and page 47 on "It's a Team Effort!: Policies and Guidelines for Employees" 	
Supplement to Recommendation 15.1			
<p>1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.</p>	<p>COMPLIANT</p>	<p>Please refer to the 2018 Annual and Sustainability Report, page 21 on "Building a Winning Team," page 26 on the "Operations Leadership Development Program," and page 27 on "Developing the Coaching Culture."</p>	
<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	<p>COMPLIANT</p>	<p>Please refer to the 2018 Annual and Sustainability Report, page 28 on "Industrial Peace at the Pepsi Plants," page 29 on "Occupational Safety and Health," and page 47 on "It's a Team Effort!: Policies and Guidelines for Employees."</p>	
<p>3. Company has policies and practices on training and development of its employees.</p>		<p>Please refer to the 2018 Annual and Sustainability Report, page 21 on "Building a Winning Team," page 22 on "Women Most Welcome," page 26 on the "Operations Leadership Development Program," and page 27 on "Developing the Coaching Culture."</p>	
Recommendation 15.2			
<p>1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.</p>	<p>COMPLIANT</p>	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Corporation's website on "Whistleblowing Policy" at 	

		<p>http://www.pepsiphilippines.com/corp/governance4.php</p> <ul style="list-style-type: none"> ▪ 2018 Annual and Sustainability Report, page 47 on "It's a Team Effort!: Policies and Guidelines for Employees" ▪ PCPPI Code of Business Conduct and Ethics at http://www.pepsiphilippines.com/corp/gov/COCBooklet.pdf ▪ PCPPI Business Conduct and Ethics at http://www.pepsiphilippines.com/corp/gov/BusinessConduct-table.pdf 	
<p>2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.</p>		<p>Please refer to the 2018 Annual and Sustainability Report, page 21 on "Building a Winning Team," page 26 on the "Operations Leadership Development Program," and page 27 on "Developing the Coaching Culture."</p>	

Supplement to Recommendation 15.2

<p>1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.</p>	<p>COMPLIANT</p>	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Corporation's website on "Whistleblowing Policy" at http://www.pepsiphilippines.com/corp/governance4.php ▪ 2018 Annual and Sustainability Report, page 47 on "It's a Team Effort!: Policies and Guidelines for Employees" ▪ PCPPI Code of Business Conduct and Ethics at http://www.pepsiphilippines.com/corp/gov/COCBooklet.pdf ▪ PCPPI Business Conduct and Ethics at http://www.pepsiphilippines.com/corp/gov/BusinessConduct-table.pdf 	
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Recommendation 15.3

1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ Corporation's website on "Whistleblowing Policy" at http://www.pepsiphilippines.com/corp_governance4.php ▪ 2018 Annual and Sustainability Report, pages 21-27 on "Prioritizing Our People," page 28 on "Industrial Peace at the Pepsi Plants," and page 47 on "It's a Team Effort!: Policies and Guidelines for Employees" 	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.			
3. Board supervises and ensures the enforcement of the whistleblowing framework.		Please refer to the Corporation's website on "Whistleblowing Policy" at http://www.pepsiphilippines.com/corpgovernance4.php	

Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

Recommendation 16.1

1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	COMPLIANT	Please refer to the "What We Believe" page of the Corporation's website at http://www.pepsiphilippines.com/whatwebelieve.php , and to the 2018 Annual and Sustainability Report, pages 30-33 on "Seeking Positive Change."	
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Optional: Principle 16

1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development.	COMPLIANT	Please refer to the 2018 Annual and Sustainability Report, pages 30-33 on "Seeking Positive Change."	
2. Company exerts effort to interact positively with the communities in which it operates			

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report for 2018 is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on 24 May 2019.

SIGNATURES


OSCAR S. REYES
Chairman of the Board/Independent Director


RAFAEL M. ALUNAN III
Independent Director


KRISTINE NINOTSCHKA L. EVANGELISTA
Corporate Secretary


YONGSANG YOU
Chief Executive Officer



LOPE R. MANUEL, JR.
Compliance Officer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me in the City of Makati this 24 May 2019, affiants exhibiting to me their passports, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Oscar S. Reyes	P5302920A	December 11, 2017	DFA – NCR-East
Yongsang You	M55826461	December 28, 2011	Korea
Rafael M. Alunan III	EC7409035	April 14, 2016	DFA – NCR-East
Lope R. Manuel, Jr.	P4413619A	September 18, 2017	PE – Bangkok
Kristine Ninotschka L. Evangelista	P5177855A	November 29, 2017	DFA - Cagayan de Oro

Doc. No. 314 ;
Page No. 64 ;
Book No. 1 ;
Series of 2019.


ANGELIQUE PEARL S. SIMBULAN
Notary Public for Makati City
Appointment No. M-265 until December 31, 2020
Roll of Attorney No. 71991
PTR No. 7345591; 1/8/2019; Makati City
IBP No. 060940; 1/4/2019; Makati City Chapter
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Sedeño corner Valero Streets
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