

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
<b>The Board's Governance Responsibilities</b>			
<b>Principle 1:</b> The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
<b>Recommendation 1.1</b>			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	COMPLIANT	Recommendation 1.1 are embodied in the Manual on Corporate Governance of Anchor Insurance Brokerage Corporation (the "Company") as amended on 28 July 2014 (the "Manual"), specifically Section 2.2.1.5 [ <i>Qualification and Disqualification of Directors</i> ] thereof. The Manual may be downloaded from the website of the Company at:  <a href="https://www.aibc.com.ph/storage/corporate_governance_file/AIBC_Manual_on_Corp_Governance_amended_July_2014.pdf">https://www.aibc.com.ph/storage/corporate_governance_file/AIBC_Manual_on_Corp_Governance_amended_July_2014.pdf</a>	
2. Board has an appropriate mix of competence and expertise.	COMPLIANT		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	COMPLIANT	The qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of their performance are specified in Section 2.2.1.5 [ <i>Qualification and Disqualification of Directors</i> ] of the Manual.	
<b>Recommendation 1.2</b>			
1. Board is composed of a majority of non-executive directors.	COMPLIANT	The General Information Sheet of the Corporation filed with the SEC on <u>26 July 2023</u> ("GIS") shows that out of the seven (7) seats in the board of directors, only three (3) or less than a majority are concurrently executive directors. The majority are non-executive directors.  <a href="https://www.aibc.com.ph">https://www.aibc.com.ph</a> > Corporate Governance	

Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	COMPLIANT	The policy on training of directors is set out in Section 2.2.1.4 [ <i>Duties and Responsibilities of a Director</i> ] of the Manual, which states that a director shall attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute. The Company provides orientation for first-time directors.	
2. Company provides in its Board Charter and Manual on Corporate Governance an orientation program for first time directors.	COMPLIANT	<p>Article IV, Section 4 of the Amended By-laws of the Company approved by the SEC on 11 July 2008 (the "By-laws") provides that the President shall formulate long range programs, including for executive training and development, for approval by the board.</p> <p><a href="https://www.aibc.com.ph/storage/corporate_governance_file/AIBC_By-Laws.pdf">https://www.aibc.com.ph/storage/corporate_governance_file/AIBC_By-Laws.pdf</a></p>	
3. Company has relevant annual continuing training for all directors.	COMPLIANT	<p>Members of the Board of Directors of the Company attended corporate governance training seminars conducted in 2024, with copies of their certificates of attendance attached in Annex "A" hereof.</p> <p>Members of the Board of Directors also attended a training seminar on Anti-Money Laundering Risk Assessment last <u>March 14, 2023</u>, with their certificates of attendance set out in Annex "B" hereof.</p>	

<b>Recommendation 1.4</b>			
1. Board has a policy on board diversity.	<b>COMPLIANT</b>	<p>Section 2.2.1.2 [<i>Specific Duties and Functions</i>] of the Manual states that the Board of Directors shall implement a process of selection to ensure a mix of competent directors and Officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</p> <p>Likewise, the Company's parent, San Miguel Corporation ("SMC"), has a Board Diversity Policy that applies to its subsidiaries, which is available at its website at</p> <p><a href="https://www.sanmiguel.com.ph/page/company-policy">https://www.sanmiguel.com.ph/page/company-policy</a>.</p>	
<b>Recommendation 1.5</b>			
1. Board is assisted by a Corporate Secretary.	<b>COMPLIANT</b>	<p>The qualifications, duties and functions of the Corporate Secretary are set out in Article IV, Section 8 of the Amended By-laws of the Company approved by the SEC on 11 July 2008 (the "By-laws") and Section 2.2.4 [<i>The Corporate Secretary</i>] of the Manual.</p> <p>Atty. Mary Rose S. Tan is the Corporate Secretary of the Company, as reported on page 4 of the GIS.</p>	
2. Corporate Secretary is a separate individual from the Compliance Officer.	<b>COMPLIANT</b>	The incumbent Corporate Secretary is a separate individual from the incumbent Compliance Officer, as shown in page 4 of the GIS.	
3. Corporate Secretary is not a member of the Board of Directors.	<b>COMPLIANT</b>	The Corporate Secretary is not a member of the Board of Directors, as reported on page 4 of the GIS.	
4. Corporate Secretary attends training/s on corporate governance.	<b>COMPLIANT</b>	Atty. Mary Rose S. Tan attended a corporate governance seminar on 10 November 2023, as shown in the Certificate of Attendance attached hereto as Annex "C".	

Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	<b>COMPLIANT</b>	<p>Section 2.1 of the Manual sets out the appointment, duties and functions of the Compliance Officer.</p> <p>Atty. Virgilio S. Jacinto is the Compliance Officer and Ms. Bella O. Navarra is the Alternate Compliance Officer of the Company, as reported on page 4 of the GIS.</p>	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	<b>COMPLIANT</b>	<p>Under Section 2 of the Manual of Corporate Governance, the Compliance Officer of the Corporation shall hold the position of Vice President or its equivalent, and shall have direct reporting responsibilities to the Chairman.</p> <p>The Corporation has no officer designated specifically as "Vice President" or "Senior Vice President".</p> <p>Atty. Jacinto is a Senior Vice President and concurrent General Counsel, Corporate Secretary and Compliance Officer of SMC, the parent corporation of the Company.</p> <p>Ms. Navarra is a Senior Vice President and concurrent Head of Comptrollership of SMC, the parent corporation of the Company.</p> <p>Both have the stature and authority in the Company to effectively discharge the functions of the office of Compliance Officer and Alternate Compliance Officer, respectively.</p>	
3. Compliance Officer is not a member of the board.	<b>COMPLIANT</b>	Neither Atty. Jacinto nor Ms. Bella O. Navarra is a member of the Board of Directors, as shown in the latest GIS.	
4. Compliance Officer attends training/s on corporate governance.	<b>COMPLIANT</b>	Atty. Virgilio S. Jacinto and Ms. Bella O. Navarra both attended a corporate governance seminars on <u>20 September 2023 and 10 November 2023</u> , respectively, as shown in the Certificates of Attendance attached hereto as Annexes "D" and "E".	

**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.

**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.	<b>COMPLIANT</b>	<p>Principle 2 and Recommendation 2.1 are embodied in Section 2.2.1.1 [<i>General Responsibility</i>] of the Manual.</p> <p>The undersigned Chairman of the Board of Directors and Corporate Secretary attest that the Board, during its meetings, acts on a fully informed basis, in good faith, with due diligence and care, and always in the best interest of the Company through active deliberations during said Board meetings as the topics and matters for approval warrant.</p>	
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**Recommendation 2.2**

1. Board oversees the development, review and approval of the company's business objectives and strategy.	<b>COMPLIANT</b>	<p>The undersigned Chairman of the Board of Directors and Corporate Secretary attest that:</p> <p>(a) The Board of Directors approves the annual budget of the Company, which includes the approval of the Company's objectives and strategy for the upcoming year, which approval is made on an annual basis;</p> <p>(b) The General Manager, upon the direction of the President, reports to the Board of Directors on a quarterly basis the implementation of the Company's business objectives and strategy; and</p> <p>(c) The Board of Directors approves the financial report and financial position of the Company on a quarterly basis.</p> <p>Recommendation 2.2 is embodied in Section 2.2.1.1 [<i>General Responsibility</i>] of the Manual.</p>	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	<b>COMPLIANT</b>		

**Recommendation 2.3**

1. Board is headed by a competent and qualified Chairperson.	<b>COMPLIANT</b>	<p>The duties and functions of the Chairman of the Board are set out in Article IV, Section 2 of the By-laws and Section 2.2.3 [<i>The Chair and the President</i>] of the Manual.</p>	
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		Mr. Ramon S. Ang is the Chairman of the Board, as reported on page 4 of the GIS.	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	Under Section 2.2.1.2 [ <i>Specific Duties and Functions</i> ] of the Manual, the Board shall “appoint competent, professional, honest and highly-motivated Management officers and adopt an effective succession planning program for Management”. Under Section 2.2.1.3 [ <i>Internal Control Responsibilities of the Board</i> ], the Board shall review the Management succession plan.	
2. Board adopts a policy on the retirement for directors and key officers.	COMPLIANT		
Recommendation 2.5			
1. Board formulates and adopts a policy specifying the relationship between remuneration and performance of key officers and board members	COMPLIANT	Under Section 2.2.2.2 [ <i>Executive Compensation Committee</i> ] of the Manual, the Board, acting as the Executive Compensation Committee, shall “[e]stablish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate Officers and directors, and provide oversight over remuneration of senior Management and other key personnel ensuring that compensation is consistent with the Corporation’s culture, strategy and control environment.” The duties and responsibilities of the Executive Compensation Committee in respect of the remuneration of corporate officers and directors	

2. Board aligns the remuneration of key officers and board members with long-term interests of the company.	<b>COMPLIANT</b>	<p>are set out in Section 2.2.2.2. of the Manual, which includes that it shall “[d]isallow any director to decide his or her own remuneration.”</p> <p>Article III, Section 8 of the By-laws provides that: “each director shall receive a per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before Income tax of the Corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholder’s meeting.”</p> <p>Article IV, Section 14 of the By-Laws also provides that” “[t]he By-Law Officers shall receive such remuneration as the Board of Directors may determine. All other officers shall receive such remuneration as the Board of Directors may determine upon recommendation of the President. A director shall not be precluded from serving the Corporation in any other capacity as an officer.”</p>	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	<b>COMPLIANT</b>		
<b>Recommendation 2.6</b>			
1. Board has a formal and transparent board nomination and election policy.	<b>COMPLIANT</b>	The nomination and election process of the Company is set out in Article 3, Section 2 of the By-laws.	
2. Board nomination and election policy is disclosed in the company’s Manual on Corporate Governance.	<b>COMPLIANT</b>	Under Section 2.2.2.1 [ <i>Nomination and Hearing Committee</i> ] of the Manual, the Board shall create a Nomination and Hearing Committee which shall have at least one (1) director and which shall pre-screen and shortlist all candidates nominated to become a member of	

3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	COMPLIANT	the Board of Directors in accordance with the qualifications and disqualifications as provided therein.  Section 5.1.2 [ <i>Voting Right</i> ] of the Manual sets out the right of shareholders to nominate, elect, remove and replace directors and states that a director shall not be removed without cause if it will deny minority shareholders representation in the Board.	
4. Board nomination and election policy includes how the board shortlists candidates.	COMPLIANT		
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.	COMPLIANT		
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	Under Section 2.2.1.2 [ <i>Specific Duties and Functions</i> ] of the Manual, the Board shall formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major shareholders, Officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.  Note 16 of the Notes to the Financial Statements of the Company as of the year 31 December 2024 sets out the related party transactions of the Company and outstanding balances as of the said date.	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	COMPLIANT	See 2024 AFS at <a href="http://www.aibc.com.ph">www.aibc.com.ph</a>  The Company complies with the relevant issuances of the Securities and Exchange Commission on Related Party Transactions.	



3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	<b>COMPLIANT</b>		
<b>Recommendation 2.8</b>			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	<b>COMPLIANT</b>	<p>Article IV, Section 1 of the By-laws enumerate the officers of the Company that are appointed by the Board, including, among others, the Chairman, the President (who under Section 4 shall be the Chief Executive Officer), the Treasurer, the Secretary, and, from time to time, such other officers as it may determine to be necessary or proper.</p> <p>Under Section 2.2.1.3 of the Manual, the Board shall, among others:</p> <ul style="list-style-type: none"> <li>○ select and appoint a President who possesses the ability, integrity and expertise essential for the position, and define, with the assistance of the Nomination and Hearing Committee, the duties and responsibilities of the President who is ultimately responsible for the Corporation's organizational and operational controls;</li> <li>○ Evaluate proposed senior Management appointments; and</li> <li>○ Select and appoint qualified and competent Management officers.</li> </ul> <p>Under Section 2.2.1.2 of the Manual, the Board shall "[a]ppoint competent, professional, honest and highly-motivated Management Officers and adopt an effective succession planning program for Management."</p> <p>Pursuant to the foregoing provisions of the By-laws and the Manual, the Board appointed the following key officers, among others, as reported on page 4 of the GIS:</p> <p>(a) Mr. Ramon S. Ang, Chairman;</p>	

		<ul style="list-style-type: none"> <li>(b) Mr. Ferdinand K. Constantino, President;</li> <li>(c) Mr. Robelin Caesar T. Rojas, General Manager;</li> <li>(d) Atty. Virgilio S. Jacinto, Compliance Officer;</li> <li>(e) Ms. Bella O. Navarra, Treasurer and Alternate Compliance Officer.</li> </ul>	
2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	<b>COMPLIANT</b>	<p>Under Section 2.2.2.1 [<i>General Responsibility</i>] of the Manual, the Board is responsible for formulating means to effectively monitor Management's performance.</p> <p>Under Section 6.4 of the Manual, the Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with such criteria as may be determined by the Board and consistent with the provisions of the Manual.</p>	

Recommendation 2.9			
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.	COMPLIANT	Under Section 2.2.1.1 [ <i>General Responsibility</i> ] of the Manual, the Board is responsible for formulating the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.	
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.	COMPLIANT		
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	COMPLIANT	<p>The oversight responsibilities of the Board for ensuring the presence of appropriate, adequate, and effective internal control mechanisms, including reviewing conflicts of interest situations, are set out in Section 2.2.1.3 of the Manual.</p> <p>The Board is assisted by an Audit Committee in monitoring and evaluating the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security, pursuant to Section 2.2.2.3.2 [<i>Duties and Responsibilities</i>] of the Manual.</p>	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	COMPLIANT		
3. Board approves the Internal Audit Charter.	NON-COMPLIANT		<p>Section 2.2.6.1 of the Manual provides that 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, 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 be guided by the International Standards on Professional Practice of Internal Accounting.</p> <p>The function of internal audit of the Company, which is performed through the parent company's San Miguel Group Audit that assists and reports to the Audit Committee, is guided by the principles and provisions</p>

			embodied under Section 2.2.6 [ <i>Internal Auditor</i> ] of the Manual and the Charter of Internal Audit of the parent company available at:  <a href="https://www.sanmiguel.com.ph/files/reports/SEC_Form-17_SMC-Charter-of-Internal-Audit-03.16__.17_1_.pdf">https://www.sanmiguel.com.ph/files/reports/SEC_Form-17_SMC-Charter-of-Internal-Audit-03.16__.17_1_.pdf</a> .
<b>Recommendation 2.11</b>			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	<b>NON-COMPLIANT</b>		Under Section 2.2.2.3.2 [ <i>Duties and Responsibilities</i> ] of the Manual, the Board through the Audit Committee shall 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.  A discussion of the business risks faced by the Company is found on Note 16 of the Audited Financial Statements of the Company for the year ended 31 December 2024.  The Company has formulated the ERM Framework and Action Plan for final approval by the Board within the year.
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	<b>NON-COMPLIANT</b>		
<b>Recommendation 2.12</b>			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	<b>NON-COMPLIANT</b>		The roles, responsibilities and accountabilities of the Board in carrying out its fiduciary role are contained in Article III, Section 1 of the By-laws and the Manual of the Company, both of which may be accessed at the Company's website through the following link:  <a href="https://www.aibc.com.ph">https://www.aibc.com.ph</a> > Corporate Governance > 2021 AIBC By-Laws  The Board observes the principles and policies embodied in the Company's Manual, which guides the Board in the definition and performance of its roles and responsibilities.
2. Board Charter serves as a guide to the directors in the performance of their functions.	<b>NON-COMPLIANT</b>		
3. Board Charter is publicly available and posted on the company's website.	<b>NON-COMPLIANT</b>		

**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.	<b>COMPLIANT</b>	<p>Principle 3 and Recommendation 3.1 are embodied in Section 2.2.2 [<i>Board Committees</i>] of the Manual, which specifies the Committees established by the Board and the composition and duties and responsibilities of each of the Committees.</p> <p>The members of the respective Committees are reported on page 4 of the GIS.</p>	
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**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.	<b>COMPLIANT</b>	<p>Section 2.2.2.3 of the Manual [<i>Audit Committee</i>] sets out the composition and duties and responsibilities of the Audit Committee.</p> <p>Under Section 2.2.5 of the Manual, the External Auditor, which shall be duly accredited by the SEC, shall be selected and appointed by the shareholders upon recommendation of the Board, after consultation with the Audit Committee.</p> <p>Under Section 2.2.6.2 of the Manual, the Internal Auditor shall functionally report directly to the Audit Committee. The internal audit function is performed through the parent company's San Miguel Group Audit, which assists and reports to the Audit Committee.</p>	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	<b>NOT APPLICABLE</b>		<p>Out of the five (5) members of the Audit Committee, two (2) are non-executive directors (namely, Atty. Gabriel L. Villareal and Justice Consuelo M. Ynares- Santiago), one (1) is a non-director, while only two (2) are executive directors.</p> <p>The Chairman of the Audit Committee, Atty. Gabriel L. Villareal, is a non-executive director.</p>

			<p>The composition as well as the respective competencies, backgrounds and qualifications of the members of the Audit Committee ensure that the internal and external auditors are able to perform their functions independently and that the internal control system and practices in place are effective and sound.</p> <p>The members of the Audit Committee, including their position and type of directorship, are reported on page 4 of the GIS.</p>
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	<b>COMPLIANT</b>	<p>Section 2.2.2.3.1 of the Manual provides that "[t]he Audit Committee shall be composed of at least one (1) member of the Board. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment."</p> <p>The Audit Committee members have decades of experience, whether as top business executives, senior government officials, and/or professional practitioners, in the fields of law, economics, finance, accounting, and auditing.</p>	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	<b>COMPLIANT</b>	The Chairman of the Audit Committee is Atty. Gabriel L. Villareal. Atty. Villareal is not the Chairman of the Board or of any other committee, as reported on page 4 of the GIS.	
<b>Recommendation 3.3</b>			
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.	<b>NON-COMPLIANT</b>		<p>Pursuant to Section 2.2.2 [Board Committees] of the Manual, the Board has constituted the Nomination and Hearing, Executive Compensation, and Audit Committees to aid in its compliance with the principles of good corporate governance.</p> <p>Section 2.2.2.1 [<i>Nomination and Hearing Committee</i>] of the Manual sets out the composition and duties and responsibilities of the Nomination and Hearing Committee.</p> <p>Section 2.2.2.2 [<i>Executive Compensation Committee</i>] of the Manual sets out the composition and duties and responsibilities of the Executive Compensation Committee.</p>

			<p>These committees continue to operate under the oversight of the Board to ensure alignment with corporate governance principles despite the non-establishment of the Corporate Governance Committee.</p> <p>Further, the Company has existing mechanisms in place to uphold the principles of corporate governance. The Management Committee is tasked with supporting the day-to-day operations of the Company, including the oversight of policies, compliance monitoring, and the review of management practices, which are regularly reported to the Board.</p>
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	<b>NON-COMPLIANT</b>		<p>The respective memberships of the directors of the Company in the Nomination and Hearing Committee and in the Executive Compensation Committee, including their position and type of directorship, are reported on page 4 of the GIS.</p> <p>The Nomination and Hearing Committee has four (4) members, of whom one (1) is an independent director and two (2) are non-executive directors, as reported on page 4 of the GIS.</p> <p>The Executive Compensation Committee has three (3) members, of whom one (1) is an independent director and one (1) is a non-executive director, as reported on page 4 of the GIS.</p> <p>The presence of the non-executive and independent directors, who together make up 75% in the Nomination and Hearing Committee and 67% in the Executive Compensation Committee, ensures the independence of these committees.</p>
3. Chairman of the Corporate Governance Committee is an independent director.	<b>NON-COMPLIANT</b>		<p>The Chair of the Nomination and Hearing Committee is an independent director. The Chair of the Executive Compensation Committee is the only member who is an executive director.</p>
<b>Recommendation 3.4</b>			
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.	<b>NON-COMPLIANT</b>		<p>Under Section 2.2.2.3.2 [<i>Duties and Responsibilities</i>] of the Manual, the Board through the Audit Committee shall 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.</p>

			<p>As stated in Note 17 of the Audited Financial Statements, “[t]he Company's risk management involves the close cooperation of the Company's BOD in developing objectives, policies and processes on insurance, liquidity, credit and market risks and the Company's management of capital.”</p> <p>Pursuant to the above, the enterprise risk management responsibilities are taken on and overseen by the Board through the Audit Committee.</p>
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	<b>NON-COMPLIANT</b>		<p>The Chairman of the Audit Committee is Atty. Gabriel L. Villareal, who is a non-executive director.</p> <p>Out of the five (5) members of the Audit Committee, only two (2) are executive directors.</p> <p>The members of the Audit Committee, including their position and type of directorship, are reported on page 4 of the GIS.</p>
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	<b>NON-COMPLIANT</b>		<p>The Chairman of the Audit Committee is Atty. Gabriel L. Villareal. Atty. Villareal is not the Chairman of the Board or of any other Committee, as reported on page 4 of the GIS.</p>
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	<b>NON-COMPLIANT</b>		<p>Section 2.2.2.3.1 of the Manual provides that “[t]he Audit Committee shall be composed of at least one (1) member of the Board. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.”</p> <p>The Audit Committee members have, whether as top business executives, senior government officials, and/or professional practitioners in the fields of law, economics, finance, and accounting, decades of experience dealing with risk and risk management.</p>



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		<p>Section 2.2.1.2 [<i>Specific Duties and Functions</i>] of the Manual states that “the Board shall formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major shareholders, Officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.”</p> <p>The responsibility of reviewing all material related party transactions of the Company is currently undertaken as part of the oversight functions of the Audit Committee composed of five (5) members, the Chairman and one other member of which are non-executive directors, with the latter being an independent director.</p>
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	NON-COMPLIANT		

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		Sections 2.2.2.1, 2.2.2.2, and 2.2.2.3 of the Manual provides for the purposes, memberships, processes and information about the committees established by the Board.  Based on the information and objectives sought to be achieved with the establishment of such committees as contained in the Manual, the Board and the stockholders are provided with sufficient standards by which to evaluate their performances.
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.	NON-COMPLIANT		
<b>Principle 4:</b> 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	Principle 4 is embodied in Section 2.2.1 [ <i>Board of Directors</i> ], specifically 2.2.1.4 [ <i>Duties and Responsibilities of a Director</i> ] of the Manual.  On the other hand, Section 2.2.1.7 [ <i>Board Meetings and Quorum Requirements</i> ] thereof states that "[t]he members of the Board should attend regular and special meetings of the Board in person or through other means as may be allowed by, and in accordance with, the rules and regulations of the SEC."  The undersigned Corporate Secretary hereby attests that the directors attended and actively participated in all meetings of the Board, the Committees and stockholders held via videoconferencing in 2023.	
2. The directors review meeting materials for all Board and Committee meetings.	COMPLIANT	The undersigned Corporate Secretary hereby attests that the directors review the relevant materials for all Board and Committee meetings.	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	COMPLIANT	Section 2.2.1.8 [ <i>Adequate and Timely Information</i> ] of the Manual provides that: <ul style="list-style-type: none"><li>o Management shall provide the Board with complete, adequate and timely information about the matters to be taken during their meetings;</li><li>o Upon reasonable request, the directors, individually or as a group, may seek</li></ul>	

		<p>independent professional advice in the discharge of their duties at the expense of the Corporation, which expense must be reasonable; and</p> <ul style="list-style-type: none"> <li>o The members of the Board shall be given independent access to Management and the Corporate Secretary.</li> </ul> <p>The Corporate Secretary hereby attests that the directors of the Company asked questions and sought clarifications and explanations in the course of the discussions during the Board and Committee meetings held in 2023.</p>	
<b>Recommendation 4.2</b>			
<p>1. Non-executive directors concurrently serve in a maximum of five Insurance Commission Regulated Entities (ICREs) and 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.</p>	<b>COMPLIANT</b>	<p>Section 2.2.1.9 [<i>Policy on Multiple Board Seats</i>] of the Manual provides that "[a] director shall exercise due discretion in accepting and holding directorships other than in the Corporation, provided that, in holding such other directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised."</p> <p>Section 2.2.2.1.4 further provides that a low indicative limit on membership in other corporate Boards 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.</p>	
<b>Recommendation 4.3</b>			
<p>1. The directors notify the company's board before accepting a directorship in another company.</p>	<b>COMPLIANT</b>	<p>Section 2.2.1.9 [<i>Policy on Multiple Board Seats</i>] of the Manual provides that "[a] director shall exercise due discretion in accepting and holding directorships other than in the Corporation, provided that, in holding such other directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Corporation is not compromised."</p> <p>The undersigned Corporate Secretary hereby attests that the directors have, where applicable,</p>	

		notified the Board before accepting a directorship in other companies.	
<b>Principle 5:</b> The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
<b>Recommendation 5.1</b>			
1. The Board is composed of at least twenty percent (20%) independent directors.	<b>NOT APPLICABLE</b>		<p>The current composition of the Board allows for the exercise of an objective and independent judgment on all corporate affairs, considering that the members of the Board represent diverse backgrounds.</p> <p>Principle 5 and Recommendation 5.1 are embodied in Section 2.2.1.6 [<i>Independent Director</i>] of the Manual, which provides that "[t]he Corporation is encouraged to have at least two (2) Independent Directors or such number of Independent Directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2)."</p> <p>One (1) out of the seven (7) incumbent directors of the Company is an independent director.</p>
<b>Recommendation 5.2</b>			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	<b>COMPLIANT</b>	The qualifications of an independent director are set out in Section 2.2.1.5 and 2.2.1.6 of the Manual.	
<b>Recommendation 5.3</b>			
<p>1. The independent directors serve for a cumulative term of nine years.</p> <p>As far as the Insurance Companies are concerned, the foregoing term limit shall be reckoned from 02 January 2015 while the reckoning date for Pre-Need Companies and Health Maintenance Organizations shall be from 21 September 2016.</p> <p>For other covered entities, all previous terms served by existing Independent Directors prior to the effectivity of this Circular shall not be included in the application of the term limit prescribed in this item.</p>	<b>COMPLIANT</b>	The Company's Independent Director was first elected as such on 24 May 2012. Since IC Circular Letter No. 2020-72 was issued in June 2020, the terms served between 2012 to 2020 are not included in the counting of the term limit in accordance with this Recommendation.	
2. The company bars an independent director from serving in such capacity after the term limit of nine years.	<b>COMPLIANT</b>	The independent director remains to be within the term limit pursuant to IC Circular Letter No. 2020-72 and remains qualified to fulfill the role as duly elected by the stockholders.	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board	<b>COMPLIANT</b>		

provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.			
<b>Recommendation 5.4</b>			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	<b>COMPLIANT</b>	<p>The Chairman of the Company is Mr. Ramon S. Ang.</p> <p>The President, who under Article IV, Section 4 of the By-laws shall be the Chief Executive Officer of the Company, is Mr. Ferdinand K. Constantino.</p>	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	<b>COMPLIANT</b>	Article IV, Sections 2 and 4 of the By-laws and Section 2.2.3 [ <i>The Chair and the President</i> ] of the Manual enumerate the powers and duties of the Chairman and President/Chief Executive Officer.	
<b>Recommendation 5.5</b>			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	<b>NOT APPLICABLE</b>		As reported on page 4 of the GIS, the only independent director is Ms. Consuelo M. Ynares-Santiago.
<b>Recommendation 5.6</b>			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	<b>COMPLIANT</b>	The Corporate Secretary hereby attests that directors with a material interest in transactions affecting the Company have abstained from taking part in the deliberations for the same during the Board meetings.	
<b>Recommendation 5.7</b>			
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.	<b>NON-COMPLIANT</b>		<p>Under Section 2.2.1.8 [<i>Adequate and Timely Information</i>] of the Manual, upon reasonable request, the directors, individually or as a group, may seek independent professional advice in the discharge of their duties at the expense of the Corporation, which expense must be reasonable. They shall be given independent access to Management and the Corporate Secretary.</p> <p>However, the non-executive directors determined that there was no need for such meeting in 2024.</p>
2. The meetings are chaired by the lead independent director.	<b>NON-COMPLIANT</b>		

**Principle 6:** The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

**Recommendation 6.1**

1. Board conducts an annual self-assessment of its performance as a whole.	<b>NON-COMPLIANT</b>		Section 6 [ <i>Monitoring and Assessment</i> ] of the Manual provides that "[t]he Board may create an internal self-rating system that can measure the performance of the Board and Management in accordance with such criteria as may be determined by the Board and consistent with the provisions of this Manual."
2. The Chairman conducts a self-assessment of his performance.	<b>NON-COMPLIANT</b>		
3. The individual members conduct a self-assessment of their performance.	<b>NON-COMPLIANT</b>		
4. Each committee conducts a self-assessment of its performance.	<b>NON-COMPLIANT</b>		
5. Every three years, the assessments are supported by an external facilitator.	<b>NON-COMPLIANT</b>		

**Recommendation 6.2**

1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	<b>COMPLIANT</b>	Section 5.1.8 [ <i>Promotion of Shareholders' Rights</i> ] of the Manual provides that "[i]t shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints."	
2. The system allows for a feedback mechanism from the shareholders.	<b>COMPLIANT</b>		

**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.	<b>COMPLIANT</b>	<p>The Company's Code of Business Conduct and Ethics includes the following policies:</p> <ul style="list-style-type: none"> <li>(i) Whistle-blowing Policy</li> <li>(ii) Conflict of Interest Policy</li> <li>(iii) Policy on Dealings in Securities</li> <li>(iv) Anti-Money Laundering Policy</li> <li>(v) Diversity, Inclusion, and Equity Policy</li> <li>(vi) Anti-Sexual Harassment and Safe Space Act Policy</li> <li>(vii) Anti-Child Labor Policy</li> <li>(viii) Anti-Corruption and Sanctions Policy</li> <li>(ix) Code of Business Conduct and Ethical Business Policy</li> </ul> <p>The foregoing policies may be viewed on AIBC website.</p>	
2. The Code is properly disseminated to the Board, senior management and employees.	<b>COMPLIANT</b>	The Company Rules and Regulation is available internally to all employees and Board of Directors.	
3. The Code is properly disseminated to the public through the company website.	<b>COMPLIANT</b>	<p>The Company has adopted the SMC Code of Business Ethics.</p> <p><a href="https://www.aibc.com.ph/corporate-governance/company-policies">https://www.aibc.com.ph/corporate-governance/company-policies</a></p>	

**Recommendation 7.2**

1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	<b>COMPLIANT</b>	<p>As stated in the Company Rules and Regulation of the Company, all employees, officers and directors are required to comply with the rules therein.</p> <p>As stated in the Company Rules and Regulation, the Company believes that the highest form of discipline is self-discipline. Discipline is not merely a restraint on one's behavior but a total conditioning of oneself for the highest achievable levels of performance. The Company aims to create an environment wherein excellent</p>	
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<p>2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.</p>	<p><b>COMPLIANT</b></p>	<p>performance and exemplary behavior are the preoccupation of all its employees. Each employee is expected to actively live the Company values. Consistent with the values of the Company, the Company believes in discipline as an exercise in reform rather than punishment. Employees who violate policies, rules and regulations will be given the opportunity to be heard and given due process. Corrective actions are designed to provide the employee maximum opportunity to reform and desist from further violation. However, the Company acknowledges rules may need to be enforced with authority. Thus, the Company stipulates that employees violating principles, rules and regulations are given disciplinary actions in progressively increasing severity. This excludes grave offenses for which an employee may be discharged immediately following a lawful investigation.</p> <p>Discipline is guided by the following principles and policies:</p> <ul style="list-style-type: none"> <li>• Rules must be clearly documented and communicated to all affected.</li> <li>• Rules should clearly state the standards of personal behavior and conduct as well as define the acts as forms of behavior prohibited and punishable.</li> <li>• Corresponding penalties for each violation shall also be spelled out and defined.</li> <li>• Investigations and proceedings shall be expeditious, transparent, and consistent with requirements of law. Disciplinary action shall be imposed immediately upon judgment.</li> <li>• Discipline must be imposed consistently.</li> </ul>	
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## 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.	<b>COMPLIANT</b>	<p>Principle 8 is embodied in Section 4 [Reportorial or <i>Disclosure System of Corporation's Corporate Governance Policies</i>] of the Manual.</p> <p>All reports of the Company made to its regulators and the public are available on the website of the Company at:</p> <p><a href="https://www.aibc.com.ph">https://www.aibc.com.ph</a> &gt; Corporate Governance</p>	
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### Recommendation 8.3

1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	<b>COMPLIANT</b>	<p>The Company website contains relevant information about its Directors at the following page:</p> <p><a href="https://www.aibc.com.ph">https://www.aibc.com.ph</a> &gt; Corporate Governance</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.	<b>COMPLIANT</b>	<p>The Company website contains relevant information about its key executives at the following page:</p> <p><a href="https://www.aibc.com.ph">https://www.aibc.com.ph</a> &gt; Corporate Governance</p>	

### Recommendation 8.4

1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.	<b>COMPLIANT</b>	<p>Article III, Section 8 of the By-laws provides that: "By resolution of the Board, each director shall receive a per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the Corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting."</p>	
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		<p>Under Section 2.2.2.2 of the Manual, the Executive Compensation Committee shall:</p> <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, and provide oversight over remuneration of senior Management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment;</li> <li>• Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and Officers who are needed to run the Company successfully; and</li> <li>• Disallow any director to decide his or her own remuneration.</li> </ul> <p>Fixed Remuneration is based on industry standards, and variable remuneration is based on the financial performance of the Company.</p>	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same in the Annual Corporate Governance Report consistent with ASEAN Corporate Governance Scorecard (ACGS) and the Revised Corporation Code.	<b>COMPLIANT</b>	Kindly refer to the response to Recommendation 8.4 (1) above.	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	<b>NOT APPLICABLE</b>		The Company is not covered by the requirement under Securities Regulation Code Rule 12 (Annex C), which provides that: (i) the information on compensation of the Chief Executive Officer and four (4) most highly compensated officers may be provided in the aggregate; and (ii) the information on compensation for all directors and officers as a group shall be provided in the aggregate (without naming the individuals and irrespective of the amount of their individual compensation).

Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions.	COMPLIANT	<p>Under Section 2.2.1.2 [<i>Specific Duties and Functions</i>] of the Manual, the Board shall formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major shareholders, Officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p> <p>The Company adopts the general principles embodied in the Related Party Transactions policy of its parent company, as published on the latter's website at:</p> <p><a href="https://www.sanmiguel.com.ph/page/company-policy">https://www.sanmiguel.com.ph/page/company-policy</a></p>	
2. Company discloses material or significant RPTs in its Annual Company Report or Annual Corporate Governance Report, reviewed and approved by the Board, and submitted for confirmation by majority vote of the stockholders in the annual stockholders meeting during the year.	COMPLIANT	Note 15 of the Notes to the Audited Financial Statements of the Company as of the year 31 December 2023 sets out the related party transactions of the Company and outstanding balances as of the said date. The Audited Financial Statements are approved by the Board and by the stockholders.	
Recommendation 8.6			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT	<p>The Manual may be downloaded from the website of the Company at:</p> <p><a href="https://www.aibc.com.ph">https://www.aibc.com.ph</a> &gt; Corporate Governance</p>	
2. Company's MCG is posted on its company website.	COMPLIANT		
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	Principle 9 is embodied in Section 2.2.5 [ <i>External Auditor</i> ] of the Manual.	

		Pursuant to Section 2.2.5.1 of the Manual, the External Auditor shall be selected and appointed by the shareholders upon recommendation of the Board, after consultations with the Audit Committee. The said Manual likewise states that the Audit Committee evaluates and determines any non-audit work performed by the External Auditor, including the fees therefor.	
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.	<b>COMPLIANT</b>	The undersigned Corporate Secretary hereby attests that, upon recommendation by the Board through the Audit Committee, the stockholders approved the appointment of the auditing firm of Reyes Tacandong & Co. as the External Auditor of the Company for the year 2023.	
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.	<b>COMPLIANT</b>	This is not applicable because the Company did not remove or change its External Auditor from the preceding year.	
<b>Recommendation 9.2</b>			
1. Audit Committee Charter includes the Audit Committee's responsibility on: <ul style="list-style-type: none"> <li>i. assessing the integrity and independence of external auditors;</li> <li>ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and</li> <li>iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.</li> </ul>	<b>NON-COMPLIANT</b>		<p>These are embodied in the Audit and Risk Oversight Committee Charter of the parent company, SMC, which provides guidance to the performance of the functions of the Company's Audit Committee. The parent's Audit and Risk Oversight Committee Charter is available at:</p> <p><a href="https://www.sanmiguel.com.ph/files/reports/SMC-Audit-and-Risk-Oversight-Committee-Charter-10-Aug-2017.pdf">https://www.sanmiguel.com.ph/files/reports/SMC-Audit-and-Risk-Oversight-Committee-Charter-10-Aug-2017.pdf</a></p> <p>Moreover, Section 2.2.2.3.2 of the Manual states that the Audit Committee shall "[p]erform oversight functions with respect to the Internal and External Auditors of the Corporation, ensuring the independence of one from the other, freedom from interference from outside parties, and their unrestricted access to such records, properties and personnel of the Corporation, necessary to enable them to perform their respective audit functions; and review the reports submitted by them."</p> <p>Under the same Section 2.2.2.3.2, the Audit Committee shall "[a]ssist the Board in the performance</p>

			of its oversight responsibility for financial reports and financial reporting processes, internal control system, audit process and in monitoring and facilitating compliance with both the internal financial management handbook and pertinent accounting standards, legal and regulatory requirements.”
2. Audit Committee Charter contains the Committee’s responsibility on reviewing and monitoring the external auditor’s suitability and effectiveness on an annual basis.	<b>NON-COMPLIANT</b>		<p>This is embodied in the Audit and Risk Oversight Committee Charter of the parent company, SMC, which provides guidance to the performance of the functions of the Company’s Audit Committee.</p> <p>Section 2.2.5 [<i>External Auditor</i>] of the Manual states that “[t]he External Auditor, which shall be duly accredited by the SEC, shall be selected and appointed by the shareholders upon recommendation of the Board, after consultations with the Audit Committee.”</p> <p>The Corporate Secretary hereby attests that the Company’s external auditor’s suitability and effectiveness are reviewed annually through its appointment made by the stockholders, upon recommendation of the Board through the Audit Committee, every year. The stockholders appointed the external auditor of the Company for the year 2022 during the annual regular meeting held on 2022 June 24.</p>
<b>Recommendation 9.3</b>			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	<b>COMPLIANT</b>	The amount of fees paid by the Company to the External Auditor is disclosed in Engagement Letter, which include compensation for audit services and other related services such as audit review and research work. The External Auditor was not engaged by the Company and there were no fees paid to the External Auditor for any non-audit related services. There were no other fees paid to the auditors other than the above-described for audit services.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor’s objectivity.	<b>COMPLIANT</b>	Section 2.2.2.3.2 of the Manual states that the Audit Committee shall: “evaluate and determine any non-audit work performed by External Auditors, including the fees therefor, and ensure that such work will not conflict with External	

		Auditor's duties as such or threaten its independence.”  Section 2.2.5.2 further states that “if non-audit work is given to the External Auditor, the Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the External Auditor or pose a threat to its independence.”	
<b>Principle 10:</b> The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
<b>Recommendation 10.1</b>			
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.	<b>NOT APPLICABLE</b>		The Company is not a publicly listed company and is therefore not covered by the Sustainability Reporting Guidelines for Publicly Listed Companies required under the SEC Memorandum Circular No. 4, Series of 2019.
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	<b>NOT APPLICABLE</b>		
<b>Principle 11:</b> The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
<b>Recommendation 11.1</b>			
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.	<b>COMPLIANT</b>	The Company is not a publicly-listed company. The Company communicates with and disseminates information to its shareholders through the following channels of communications:  <ul style="list-style-type: none"><li>• Reports on Financial Performance</li><li>• Email</li><li>• Telephone calls</li><li>• Written correspondence</li></ul> Shareholders and other stakeholders may contact the Company through its address and contact information published on the website of the Company at:	

### 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.	<b>COMPLIANT</b>	Principle 12 and Recommendation 12.1 are embodied in Section 2.2.1.3. [ <i>Internal Control Responsibilities of the Board</i> ] of the Manual.	
2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	<b>NON-COMPLIANT</b>		<p>Pursuant to Section 2.2.1.3. [<i>Internal Control Responsibilities of the Board</i>] of the Manual, the Board shall establish organizational and operational controls commensurate with, among others, the degree of risks involved.</p> <p>A discussion of the business risks is found on Note 16 of the Financial Statements for the year ended 31 December 2023.</p> <p>As stated in Note 17 of the Audited Financial Statements, "[t]he Company's risk management involves the close cooperation of the Company's BOD in developing objectives, policies and processes on insurance, liquidity, credit and market risks and the Company's management of capital."</p> <p>Pursuant to the above, the enterprise risk management responsibilities are taken on and overseen by the Board through the Audit Committee. The Company has formulated the ERM Framework for submission and approval by the Board within the year.</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.	<b>NON-COMPLIANT</b>		<p>Recommendation 12.2 is embodied in Section 2.2.6 [<i>Internal Auditor</i>] of the Manual.</p> <p>The San Miguel Group Audit is an in-house function of the parent company, SMC, providing independent and objective assurance and consulting services to its subsidiaries, including the Company.</p>
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#### Recommendation 12.3

1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	<b>NON-COMPLIANT</b>		The Company has no Chief Audit Executive. The internal audit function is performed by the parent
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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.	NON-COMPLIANT		company through its San Miguel Group Audit, whose CAE is Mr. Ramon A. Bantigue.
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.	NON-COMPLIANT		Section 2.2.6.2 of the Manual provides that the Internal Auditor shall functionally report directly to the Audit Committee.  The Audit Committee, together with Management, undertakes the responsibility of managing and overseeing the internal audit activity of the Company.
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	NON-COMPLIANT		The risk management function of the Company is performed by the Audit Committee pursuant to Section 2.2.2.3.2 of the Manual.
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	NON-COMPLIANT		The Company has no Chief Risk Officer, as the risk management function of the Company is performed by the Audit Committee pursuant to Section 2.2.2.3.2 of the Manual.  The Company will appoint a person to champion Enterprise Risk Management.
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	NON-COMPLIANT		
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	Section 5 [ <i>Shareholders' Benefit</i> ] of the Manual discusses the rights of the shareholders of the Company, which Manual is uploaded to the company's website at:	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	COMPLIANT	<a href="https://www.aibc.com.ph/storage/corporate_governance_file/AIBC_Manual_on_Corp_Governance_amended_July_2014.pdf">https://www.aibc.com.ph/storage/corporate_governance_file/AIBC_Manual_on_Corp_Governance_amended_July_2014.pdf</a> .	



<b>Recommendation 13.2</b>			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 21 days before the meeting.	<b>COMPLIANT</b>	Under Article II, Section 4 of the By-laws, stockholders are informed at least two (2) weeks before the scheduled meeting of the date, time, and place of the meetings.  Stockholders were notified 21 days prior to the 2023 Annual Stockholders' Meeting.	
<b>Recommendation 13.3</b>			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	<b>NON-COMPLIANT</b>		While not publicly available, all stockholders are able to attend and actively participate at meetings. The result of the votes taken during annual or special shareholders' meetings will be made available to them upon request pursuant to Section 5.1.4 of the Manual.
2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	<b>NON-COMPLIANT</b>		<p>While not on the Company's website, the minutes of the annual and special stockholders' meetings will be made available to any stockholder upon request pursuant to Section 5.1.4 of the Manual.</p> <p>The voting results for the 2024 Annual Stockholders' Meeting are as follows:</p> <ol style="list-style-type: none"> <li>1) The directors of the Company were elected by a vote representing 100% of the total outstanding common stock of the Company.</li> <li>2) Approval of the Minutes of the 2023 Annual Stockholders' Meeting In favor: 100% Against: 0.000% Abstain: 0.000%</li> <li>3) Approval of the Audited Financial Statements of the Company for the year ended 31 December 2023 In favor: 100% Against: 0.000% Abstain: 0.000%</li> <li>4) Ratification of all acts of the Board of Directors and officers since the 2023 Annual Stockholders' Meeting In favor: 100% Against: 0.000%</li> </ol>

			<div>Abstain: 0.000%</div> <div>5) Appointment of Reyes Tacandong &amp; Co. as external auditors of the Company In favor: 100% Against: 0.000% Abstain: 0.000%</div> <div>The undersigned Corporate Secretary hereby attests that voting on the resolutions was done by poll.</div>
Recommendation 13.4			
1. Board has an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	NON-COMPLIANT		Section 2.2.1.2 [ <i>Specific Duties and Functions</i> ] of the Manual provides that the Board shall “[e]ncourage use of alternative modes of dispute resolution that can amicably settle conflicts or differences between the Corporation and its shareholders or third parties, including regulatory agencies.”
2. The alternative dispute mechanism is included in the company’s Manual on Corporate Governance.	NON-COMPLIANT		
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	<div>The Company ensures that good governance is upheld at all levels through transparency as well as compliance to external policies and procedures that affect the organization and its stakeholders.</div> <div>The Company works closely with all its customers and clients to ensure that each one finds a product that makes the most out of their resources, help minimize their risk through sound risk management advice while at the same time help them grow their investment.</div> <div>The Company recognizes that the growth of its employees and the growth of the organization go hand in hand, and is committed to nurturing each employee’s capabilities and uplifting their dignity. Employees are encouraged to be the best they can be, and the Company is committed to creating a work environment that encourages open communication, camaraderie, and professional growth.</div>	

		The Company makes sure that it is ethical and just in all its dealings, including with its customers, employees, and regulators, and takes responsibility for its actions.	
<b>Recommendation 14.2</b>			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	<b>COMPLIANT</b>	Section 2.2.1.2 [ <i>Specific Duties and Functions</i> ] states that the Board shall “[f]ormulate a clear policy on accurately, timely and effectively communicating or relating with the Corporation's stockholders and other stakeholders and agencies regulating the Corporation.”	
<b>Recommendation 14.3</b>			
1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	<b>COMPLIANT</b>	<p>The Company may be contacted through:</p> <p>8689-5555</p> <p>The Company adopts the whistle-blowing policy of its parent corporation, SMC, which may be viewed at its website at:</p> <p><a href="https://www.sanmiguel.com.ph/page/company-policy">https://www.sanmiguel.com.ph/page/company-policy</a></p>	
<b>Principle 15:</b> A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
<b>Recommendation 15.1</b>			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	<b>COMPLIANT</b>	The Company has existing policies and programs for employees covering, among others, the following: (a) health, safety and welfare; (b) training and development; and (c) reward/compensation for employees, to encourage employees to perform better and motivate them to take a more dynamic role in the Company.	
<b>Recommendation 15.2</b>			
Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	<b>COMPLIANT</b>	<p>The Company adopts the principles embodied in the Code of Ethics and Anti-Corruption and Sanctions Compliance Policy of its parent corporation, SMC, available through its website at:</p> <p><a href="https://www.sanmiguel.com.ph/page/company-policy">https://www.sanmiguel.com.ph/page/company-policy</a></p>	

		<p>(a) The Code of Ethics mandate that the employee should uphold the corporate interest and not grant undue personal favors, especially in matters of awarding dealership and contracts or in hiring and similar activities. The employee must exercise utmost discretion in accepting personal favors or gifts from individuals or entities seeking or doing business with the Company and refuse any gift that might be considered as bribery in any form.</p> <p>(b) The Anti-Corruption and Sanctions Policy sets forth the parent corporation's groupwide policy of zero-tolerance for bribery, corruption, money-laundering, and sanctions violations, and defines such prohibited acts.</p> <p>(c) The Company believes that the objective of achieving superior business results is consistent with the commitment to conduct business in a lawful and responsible manner. All employees are expected and directed to comply with all laws and applicable regulations, and to conduct business in accordance with the highest standards of business ethics. This includes compliance with applicable laws, rules and regulations on bribery and corruption. It is every employee's responsibility to know and to understand legal and policy requirement as they apply the same to their task, and to notify management when they believe a violation of law or a Company policy has been committed.</p>	
1. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	<b>COMPLIANT</b>	The principles in the Code of Ethics and the Anti-Corruption and Sanctions Compliance Policy of its parent corporation are communicated to the employees of the Company during the New Employee Orientation.	

		On the same note, the parent company conducts the “Conversation Series’ with all new employees of the San Miguel Group with the intent of introducing the Vision, Mission, history, up to Corporate culture.	
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	The Company adopts the whistle-blowing policy of its parent corporation, SMC, which may be viewed at its website at:	
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.	COMPLIANT	https://www.sanmiguel.com.ph/corporate/corporate-governance/companys-policies	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	COMPLIANT		
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	The Company participates in the Corporate Social Responsibilities of its parent corporation, SMC (Ex. Coastal Cleanup, Blood Donation Drive,).	