

COVER SHEET

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S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

Ma. Rosario C.Z. Nava

Contact Person

750-9687

Company Telephone Number

1	2
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Month
Fiscal Year

3	1
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Day

SEC Form - I-ACGR

FORM TYPE

**Last Friday of
May**

Month Date
Annual Meeting

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Secondary License Type, If Applicable

C	G	F	D
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Dept. Requiring this Doc.

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Amended Article Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road, Tunasan, Muntinlupa City, 1773 Philippines
Tel: (632) 88-PEPSI (73774) • www.pepsiphilippines.com

30 May 2018

SECURITIES AND EXCHANGE COMMISSION

G/F Secretariat Building
PICC Complex, Roxas Boulevard
Pasay City 1307

Attention: **Atty. Rachel Esther J. Gumtang-Remalante**
Officer-In-Charge
Corporate Governance and Finance Department

Re: Integrated Annual Corporate Governance Report of
Pepsi-Cola Products Philippines, Inc. for 2017

Dear Atty. Remalante:

We submit the Integrated Annual Corporate Governance Report of Pepsi-Cola Products Philippines, Inc. ("Corporation") for the year 2017 duly approved by the Corporation's Board of Directors in its Special Board Meeting held today, 30 May 2018, in compliance with SEC Memorandum Circular No. 15, Series of 2017.


This I-ACGR shall be posted in the Corporation's website. With this submission to the SEC and the posting of this I-ACGR in the Corporation's website, we trust that we have fully complied with the requirements stated in the abovementioned SEC Memorandum Circular.

Thank you.

Very truly yours,

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

By:


LOPE R. MANUEL, JR.
Compliance Officer

Encl. :a/s





SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended 31 December 2017

2. SEC Identification Number 0000160968 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:</p> <ul style="list-style-type: none"> ▪ the Corporation's 2017 Revised Manual on Corporate Governance filed on 7 December 2017 ("Revised CG Manual"), Clause 2.2.1.1, page 2; and ▪ the Corporation's Definitive Information Statement filed on 16 April 2018 for the 11 May 2018 Annual Stockholders' Meeting ("DIS"), part B, item 5, pages 9-10, and SEC Form 17-A for 2017 filed on 3 April 2018 ("17-A"), part III, item 10, pages 19-20 on "Background Information and Business Experience" of the Directors. <p>For the qualification standards, please refer to Revised CG Manual, Clause 2.2.2.3.2, pages 15-20.</p>	
<p>2. Board has an appropriate mix of competence and expertise.</p>	COMPLIANT		
<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>	COMPLIANT		
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 ("Board"), two (2) are Executive Directors while seven (7) are Non-Executive Directors.</p>	

		<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.1, page 2; ▪ DIS, part B, item 4, page 6 on "Security Ownership of Management as of 31 March 2018," and part III, item 5, pages 9-10 on "Background Information and Business Experience" of the Directors; and ▪ 17-A, part III, item 10, pages 19-20 on "Background Information and Business Experience" of the Directors. 	
Recommendation 1.3			
1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.	COMPLIANT	There is a policy for directors' training on corporate governance. Please refer to Revised CG Manual, Clause 4.2, page 26.	
2. Company has an orientation program for first time directors.	COMPLIANT	The Corporation orients incoming directors. Upon the director's election, he is made aware of his obligations, duties and responsibilities under the Corporation Code, the Securities Regulation Code ("SRC"), the Articles of Incorporation ("AOI") and By-Laws of the Corporation, the Revised CG Manual, and relevant regulations of the Philippine Stock Exchange ("PSE") through an internal memorandum sent by the Corporate Secretary in behalf of the Board. The internal memorandum discusses the disclosure obligations specific to the Corporation, certain beneficial owners or shareholders, its directors and officers	

		<p>under relevant provisions of the SRC and the PSE Consolidated Listing and Disclosure Rules for Listed Companies. The directors are also furnished appropriate material by email from time to time on the structure and composition of the Corporation's Board including its committees, its procedures, their duties and responsibilities as members of the Board and Board committees, as well as provisions of the Revised CG Manual and other corporate governance policies of the Corporation. Since most of the Corporation's directors are non-executive, based overseas, and travel heavily for work, the Corporation adapts to the situation by choosing to maximize the use of technology in disseminating information over having the directors attend a physical session or orientation in the Philippines. Nonetheless, the directors are encouraged by the Corporation to update themselves continually on evolving trends, standards and best practices on corporate governance by their regular attendance at seminars. The Corporation is committed to provide the appropriate support for such initiatives.</p>	
<p>3. Company has relevant annual continuing training for all directors.</p>	<p>COMPLIANT</p>	<p>The Corporation arranges for directors' annual training on corporate governance. Please refer to the attached Annex "A" on "Relevant</p>	

		Trainings of Directors and Officers for 2017."	
Recommendation 1.4			
1. Board has a policy on board diversity.	COMPLIANT	<p>Please refer to Revised CG Manual, Clause 2.2.1.1, page 2.</p> <p>While all incumbent members of the Board are male, there is a good mix of people of different nationalities in the Board (Korean, Indian, Irish and Filipino) who are of varying ages, work experiences, competencies, skills, expertise and knowledge that support board diversity.</p>	
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 Revised CG 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 who is Atty. Ma. Rosario C.Z. Nava. The Compliance Officer is Atty. Lope R. Manuel, Jr. Atty. Nava is not a member of the Board.	
2. Corporate Secretary is a separate individual from the Compliance Officer.	COMPLIANT		
3. Corporate Secretary is not a member of the Board of Directors.	COMPLIANT		<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.6, page 23; ▪ Amended By-laws, Article IV, Section 10, page 14;

		<ul style="list-style-type: none"> ▪ DIS, part B, item 5, page 12, paragraph 3; and ▪ 17-A, part III, item 10, page 21, paragraph 5. 	
4. Corporate Secretary attends training/s on corporate governance.	COMPLIANT	Please refer to the attached Annex "A" on "Relevant Trainings of Directors and Officers for 2017."	
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.	COMPLIANT	<p>Please refer to the Corporation's Consolidated Annual Corporate Governance Report for 2016 filed on 3 March 2017 ("ACGR"), part C, item 5(a), page 30 on "Access to Information."</p> <p>Please note that references to the ACGR in this Report pertain to matters and procedures which still apply, are valid and are continuously being carried out by the Corporation to date.</p>	
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	COMPLIANT	<p>As stated, the Compliance Officer is Atty. Lope R. Manuel, Jr. He is the Corporation's Vice-President for Legal and Government Affairs. Atty. Manuel is not a member of the Board.</p> <p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.1, page 1; ▪ DIS, part B, item 5, page 12, paragraph 2; and ▪ 17-A, part III, item 10, page 21, paragraph 4. 	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	COMPLIANT		
3. Compliance Officer is not a member of the board.	COMPLIANT		

4. Compliance Officer attends training/s on corporate governance.	COMPLIANT	Please refer to the attached Annex "A" on "Relevant Trainings of Directors and Officers for 2017."	
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.	COMPLIANT	Please refer to Revised CG Manual, Clause 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	Please refer to: <ul style="list-style-type: none"> ▪ Revised CG Manual, Clauses 2.2.1.2 and 2.2.1.3, pages 3-5; and ▪ Management Report (Annex A of DIS), part VI, page 9 on "Executive Committee," and paragraph 7, page 10. 	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	COMPLIANT		
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) <ul style="list-style-type: none"> - go to "Our Company" page then click on "Our Mission, Vision and Values" tag 	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ 17-A, part I, item 1(2)(c), (e), (f), (g) and (i), pages 3-6; and ▪ Management Report (Annex A of DIS), part I, page 2 on "Customers/Distribution Methods of the Products" and "Principal Suppliers." <p>On the frequency of review of business objectives and strategy, please note</p>	

		that 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 Amended By-laws, Article III, Section 2, page 4. In 2017, there were three (3) regular meetings of the Board.	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	COMPLIANT	The Chairman of the Board of Directors is Mr. Oscar S. Reyes. Please refer to: <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.3, page 22; ▪ Amended By-laws, Article IV, Section 2, page 13; ▪ DIS, part B, item 5, last paragraph, page 10; and ▪ 17-A, part III, item 10, paragraph 2, page 20. 	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	Please refer to Revised CG Manual, Clause 2.2.1.3 (1 st paragraph), page 3, and Clause 2.2.1.5, page 7.	
2. Board adopts a policy on the retirement for directors and key officers.	COMPLIANT		
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"> ▪ Revised CG Manual, Clause 2.2.2.3 (1st Paragraph), page 15, and Clause 2.2.2.3.6, page 20; ▪ DIS, part B, item 6, page 14 on "Compensation of Directors and Executive Officers;" and 	
2. Board adopts a policy specifying the relationship between remuneration and performance.	COMPLIANT		

		<ul style="list-style-type: none"> ▪ 17-A, part III, item 11, page 22 on "Executive Compensation." 	
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	COMPLIANT	Please refer to Revised CG Manual, Clause 2.2.2.3.9, page 21.	
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.	COMPLIANT	Please refer to Revised CG Manual, Clause 2.2.2.3.7, page 21.	
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.	COMPLIANT	The Corporation uses quantitative parameters in evaluating performance and determining the grant of performance bonus. These include looking at the actual performance of the Corporation for a given year measured against the Annual Operating Plan ("AOP") approved by the Board for that year and determining and assessing the value of the actual contribution/s of the person being evaluated for the bonus to the achievement of the AOP if the same has been met.	
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"> ▪ Revised CG Manual, Clauses 2.2.2.3.1 and 2.2.2.3.2, pages 15-20; and ▪ DIS, part B, item 4 (2nd paragraph), page 4. 	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	COMPLIANT		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	COMPLIANT		
4. Board nomination and election policy includes how the board shortlists candidates.	COMPLIANT		
5. Board nomination and election policy	COMPLIANT		

includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.			
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	COMPLIANT		
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.		Identify the professional search firm used or other external sources of candidates	
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: <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.3 (11th paragraph), page 4; ▪ Audited Financial Statements for the calendar years ended 31 December 2017, 2016 and 2015 filed on 3 April 2018 ("AFS"), Note 22, pages 39-41 on "Related Party Transactions;" and ▪ ACGR, part B, item 4, page 26 on "Related Party Transactions." 	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	COMPLIANT		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	COMPLIANT		
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	COMPLIANT	Please refer to ACGR, part B, item 4, pages 26-27 on "Related Party Transactions."	

<p>shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>			
<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	<p>NON-COMPLIANT</p>		<p>There is no voting system established to deal specifically with approval of specific types of related party transactions (RPTs). The Corporation enters into RPTs on an arm's length basis and, in the interest of transparency, consistently reports its RPTs in its annual audited financial statements, annual reports, and information statements. Significant RPTs are reviewed by the Board through the Audit Committee which includes the two (2) Independent Directors.</p>
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 Revised CG Manual, Clause 2.2.1.3 (4th paragraph), page 3.</p> <p>On the identity of the Management team, please refer to the following documents:</p> <ul style="list-style-type: none"> ▪ DIS, part B, item 5, page 8 on "Executive Officers;" ▪ 17-A, part III, item 10, page 18 on "Executive Officers;" and ▪ SEC Form 17-C filed on 7 December 2017 on the appointments of Chief Audit Executive, Chief Risk Officer, new Compliance Officer and Data Protection Officer. 	
<p>2. Board is primarily responsible for assessing the performance of Management led by</p>	<p>COMPLIANT</p>	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.3 	

<p>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>(4th paragraph), page 3; and</p> <ul style="list-style-type: none"> ▪ ACGR, part M, page 63 on “Board, Director, Committee and CEO Appraisal.” 	
Recommendation 2.9			
<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>The Revised CG Manual institutionalizes the principles of good corporate governance in the entire organization. Corporate governance is the framework of rules, systems and processes of the Corporation that governs the performance by the Board and Management of their respective duties and responsibilities to the Corporation’s stockholders and other stakeholders, including among others, customers, employees, suppliers, financiers, the Government, and the community/ies where the Corporation operates. The Board and Management, employees and stockholders believe that stronger corporate governance is a necessary component of what constitutes sound strategic business management and will undertake every effort to create awareness of this within the organization. The Management shall review from time to time business processes and practices currently being performed within the departments and business units of the Corporation and shall propose appropriate revisions of the same to the Board for its approval to ensure compliance with the Revised CG</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>COMPLIANT</p>	<p>The Revised CG Manual institutionalizes the principles of good corporate governance in the entire organization. Corporate governance is the framework of rules, systems and processes of the Corporation that governs the performance by the Board and Management of their respective duties and responsibilities to the Corporation’s stockholders and other stakeholders, including among others, customers, employees, suppliers, financiers, the Government, and the community/ies where the Corporation operates. The Board and Management, employees and stockholders believe that stronger corporate governance is a necessary component of what constitutes sound strategic business management and will undertake every effort to create awareness of this within the organization. The Management shall review from time to time business processes and practices currently being performed within the departments and business units of the Corporation and shall propose appropriate revisions of the same to the Board for its approval to ensure compliance with the Revised CG</p>	

		Manual. Please refer to: <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.3 (5th paragraph), page 3; and ▪ ACGR, Part B, item 1, pages 25-26 on "Code of Business Conduct and Ethics." 	
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.5, page 7; and ▪ ACGR, part G(1)(a), page 46 on "Internal Control System." 	
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		Since the Audit Committee is responsible for the internal control system and the internal audit process under the Revised CG Manual, this shall come under the Audit Committee Charter. The Corporation is in the process of preparing and getting 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"> ▪ Revised CG Manual, Clause 2.2.1.5 (last paragraph), page 7; ▪ ACGR, part F, item 3, pages 45-46; ▪ Management Report (Annex A of DIS), part V, pages 5-7 on "Results of Operations" in connection with part 1, pages 1 and 2 on "Philippine Beverage Industry" and "Principal Suppliers," part V, page 7 (paragraph 1) on "Financial 	
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.	COMPLIANT		

		<p>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;” and</p> <ul style="list-style-type: none"> 17-A, part III, item 6, pages 13-14 on “Results of Operations” in connection with part I, item 1(2)(o), <p>pages 8-9 on “Major Risks.”</p>	
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	<p>Please refer to the Revised CG Manual, Clauses 2.2.1 including 2.2.1.1 up to 2.2.1.5, pages 2-7 and the Investor Relations page of the Corporation’s website:</p> <p>http://pepsiphilippines.com/irfiles/2010_Amended_By_Laws_22_Dec_2010.pdf</p>	
2. Board Charter serves as a guide to the directors in the performance of their functions.	COMPLIANT		
3. Board Charter is publicly available and posted on the company’s website.	COMPLIANT		
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	COMPLIANT	<p>Blackout Rule: A director or principal officer of the company must not deal in the company’s securities during the period within which material non-public information is obtained and up to two (2) full trading days after the price sensitive information is disclosed.</p> <p>PCPPI’s Policy re: Blackout Rule:</p> <ul style="list-style-type: none"> For information contained in the 	

		<p>Quarterly Reports (SEC Form 17-Q), the blackout period shall be from the fifteenth (15th) day of the month following the relevant quarter and up to two (2) trading days after the submission of the report to the PSE which submission date shall in no case be later than forty-five (45) days from the end of the relevant quarter.</p> <ul style="list-style-type: none"> For information contained in the Annual Report (SEC Form 17-A), the blackout period shall be upon receipt of written notice from the external auditors to the Chief Financial Officer ("CFO") that the financial audit for the year in review has been completed and up to two (2) trading days after submission to the PSE of the financial accounts and report as approved by the Board, which submission date shall in no case be later than one hundred five (105) days from the end of the fiscal year. 	
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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.		Provide information on or link/reference to a document showing company's policy on granting loans to directors, if any.	
2. Company discloses the types of decision requiring board of directors' approval.		Indicate the types of decision requiring board of directors' approval and where there are disclosed.	

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"> ▪ Revised CG Manual, Clause 2.2.2, page 8; and ▪ SEC Form 17-C filed on 1 February 2018 on the reorganization of the Board committees. 	
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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.	COMPLIANT	Please refer to Revised CG Manual, Clause 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 Revised CG Manual, Clause 2.2.2.2.4, 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.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.2.2 (2nd paragraph), page 10; and ▪ Management Report (Annex A of DIS), part VI, page 9 on "Audit Committee" and DIS, part B, item 5, pages 9-10 on "Background Information and Business Experience" of the Directors. 	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of	COMPLIANT	Please refer to DIS, part B, item 5, pages 9-10 on "Background Information and Business Experience"	

accounting, auditing and finance.		of the Directors.	
4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	NON-COMPLIANT		<p>This matter involves only an issue of timing. The process is ongoing to fully implement changes in the Board committees, membership therein and chairmanship thereof.</p> <p>Please note that the Corporation's AOI and By-laws mention the Board committees by name and their respective responsibilities [i.e., Audit Committee (AuditComm), Nomination Committee (NomComm), and Compensation and Remuneration Committee (CRC)]. Any change in Board committees can be implemented only after SEC approval of amendments to relevant provisions of its AOI and By-laws.</p> <p>The Corporation held its 2017 Annual Stockholders' Meeting ("ASM") on 26 May 2017, the first ASM held after the new CG Code had come into effect on 1 January 2017.</p> <p>Immediately after the 2017 ASM on the same date, the Board formally organized and constituted the AuditComm, NomComm and CRC. The members of these Board committees later elected their respective Chairmen.</p> <p>Subsequent to their election, the Board approved on 31 May 2017 the 2017 Manual on Corporate Governance</p>

			<p>which reflected certain changes recommended in the Code of Corporate Governance [SEC Memorandum Circular No. 19, Series of 2016 ("SEC MC 19-16")].</p> <p>On 7 December 2017, the Board then approved the Revised CG Manual and the appointments of the Chief Audit Executive, Chief Risk Officer, new Compliance Officer and Data Protection Officer.</p> <p>On 1 February 2018, the Board approved the reorganization of the Board Committees merging the NomComm and the CRC thereby creating the Nomination and Governance Committee ("NomGov") and transferring the governance function from the AuditComm to the NomGov, subject to and effective upon securing all other necessary approvals for its implementation.</p> <p>The Corporation is working on the amendment of its AOI and By-laws to align with the Revised CG Manual. The proposed amendments to the AOI and By-laws shall be presented to and approved by the Board and then brought to the stockholders for approval. Thereafter, the amended AOI and By-laws shall be filed with the SEC to secure its approval for the amendments.</p>
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			After SEC approval of the amendments, the members of the reorganized Board committees (i.e., AuditComm and NomGov) shall be confirmed and the members thereof shall elect their respective Chairmen.
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"> ▪ DIS, part B, item 7, page 15; and ▪ 17-A, part III, item 8, page 17. 	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	COMPLIANT	The minutes of the Audit Committee meetings 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 meets 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, Section 10.2, page 7; ▪ ACGR, part G, item 1(d), page 45; and ▪ Revised CG Manual, Clause 2.2.2.2, pages 10-14. 	

2. Audit Committee approves the appointment and removal of the internal auditor.	COMPLIANT	Please refer to ACGR, part G, items 2(a) and (b), page 47.	
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 Revised CG Manual, Clause 2.2.2.3 on page 15 in relation to Clauses 2.2.2.3.12 up to 2.2.2.3.17 on pages 21-22. Currently, the corporate governance function is still with the Audit Committee.	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	NON-COMPLIANT		Although the Corporation's Revised CG Manual already reflects this specific recommendation [Clause 2.2.2.3 (2 nd paragraph), page 15], the process is ongoing to fully implement this. Please refer to our explanation in Recommendation 3.2 (4) above.
3. Chairman of the Corporate Governance Committee is an independent director.	COMPLIANT	Currently, the corporate governance function is still with the Audit Committee. The Chairman of the Audit Committee is Mr. Rafael M. Alunan III, an Independent Director. Please refer to DIS, part B, item 5, paragraph 2, page 10.	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meets at least twice during the year.	COMPLIANT	Currently, the corporate governance function is still with the Audit Committee. The Audit Committee meets at least once every three (3) months. Please refer to: <ul style="list-style-type: none"> ▪ By-laws, Section 10.2, page 7; ▪ ACGR, part G, item 1(d), page 45; and 	

		<ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.2.2, page 10. 	
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.	COMPLIANT	<p>The Revised CG Manual affirmed that the Audit Committee is responsible for risk oversight, which has been part of said committee's functions even prior to the issuance of SEC MC 19-16. There is no need to establish a separate BROC considering the Corporation's structure, risk profile and nature of its operations.</p> <p>Please refer to Revised CG Manual, Clause 2.2.2.2 in relation to Clauses 2.2.2.2.12 up to 2.2.2.2.19, pages 12-13.</p>	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	COMPLIANT	<p>The risk oversight function is with the Audit Committee. Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.2.2 (2nd paragraph), page 10; and ▪ Management Report (Annex A of DIS), part VI, page 9 on "Audit Committee" and DIS, part B, item 5, pages 9-10 on "Background Information and Business Experience" of the Directors. 	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	NON-COMPLIANT		Please refer to our explanation in Recommendation 3.2 (4) above.
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	COMPLIANT	<p>The risk oversight function is with the Audit Committee. Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.2.2 (2nd paragraph), page 10; and ▪ Management Report (Annex A of DIS), part VI, page 9 on "Audit 	

		Committee” and DIS, part B, item 5, pages 9-10 on “Background Information and Business Experience” of the Directors.	
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.	COMPLIANT	The Revised CG Manual affirmed that the Audit Committee is responsible for the review and approval of RPTs, which has been part of said committee’s functions even prior to the issuance of SEC MC 19-16. There is no need to establish a separate RPT Committee considering the Corporation’s structure, risk profile and nature of its operations. Please refer to Revised CG Manual, Clause 2.2.2.2 in relation to Clauses 2.2.2.2.20 up to 2.2.2.2.25, pages 13-14.	
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	COMPLIANT	The review and approval of RPTs is with the Audit Committee. Please refer to: <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.2.2 (2nd paragraph), page 10; and ▪ Management Report (Annex A of DIS), part VI, page 9 on “Audit Committee” and DIS, part B, item 5, pages 9-10 on “Background Information and Business Experience” of the Directors. 	
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 Revised CG 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.	NON-COMPLIANT		
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; and Revised CG Manual, Clause 2.2.1.4, paragraph 1, page 6. 	
2. The directors review meeting materials for all Board and Committee meetings.	COMPLIANT		
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	COMPLIANT		
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: <ul style="list-style-type: none"> Revised CG Manual, last paragraph, page 6; and Individual Certification of Independent Director signed by Mr. Rafael M. Alunan III and attached to DIS. 	
Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> Revised CG Manual, Clause 2.2.1.4 (2nd bullet point), page 6; and Individual Certification of 	

		Independent Director signed by Mr. Rafael M. Alunan III and attached to DIS.	
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 of the Corporation are Mr. Yongsang You and Mr. Samudra Bhattacharya. They do not serve as directors in boards of listed companies outside the group.	
2. Company schedules board of directors' meetings before the start of the financial year.	COMPLIANT	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 meets at least six times during the year.	COMPLIANT	In 2017, there were three (3) regular meetings and seven (7) special meetings of the Board for a total of ten (10) Board meetings.	
4. Company requires as minimum quorum of at least 2/3 for board decisions.	COMPLIANT	Under Article III, Section 5 of the By-Laws, 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. The Twelfth Article, paragraph (e) of the AOI and Article III, Section 13 of the	

		By-Laws both 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		The Board, comprised of nine (9) directors, has two (2) Independent Directors (IDs) and five (5) other Non-Executive Directors (NEDs). The IDs and NEDs collectively assure objective and independent judgment on matters brought to the Board for decision providing the necessary checks and balances.
Recommendation 5.2			
1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	COMPLIANT	Please refer to Revised CG Manual, Clause 2.2.2.3.2, page 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 Revised CG Manual, Clause 2.2.1.4 (4 th bullet point), 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"> ▪ DIS, part B, item 5, page 8 on Directors; and 	

2. The company bars an independent director from serving in such capacity after the term limit of nine years.	COMPLIANT	<ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.6 (4th bullet point), page 8. 	
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.	COMPLIANT		
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 (CEO) is Mr. Yongsang You.	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	COMPLIANT	<p>Please refer to Revised CG Manual, Clause 2.2.3, page 22 on "The Chairman of the Board" and Clause 2.2.5, page 23 on "The Chief Executive Officer."</p> <p>The Chairman and the CEO are not related to each other.</p>	
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 Revised CG Manual, Clause 2.2.3, last paragraph, page 22.	
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 Revised CG Manual, Clause 2.2.1.4 (1 st bullet point), page 6.	
Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the	COMPLIANT	The Corporation has a policy which reflects this recommendation (Clause	

external auditor and heads of the internal audit, compliance and risk functions, without any executive present.		2.2.1.4, last paragraph, page 6 of the Revised CG Manual).	
2. The meetings are chaired by the lead independent director.	COMPLIANT	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 was a 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 to date.	
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Principle 6: The best measure of the Board’s effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

Recommendation 6.1

1. Board conducts an annual self-assessment of its performance as a whole.	COMPLIANT	Please refer to Revised CG Manual, Clause 7.1, page 28.	
2. The Chairman conducts a self-assessment of his performance.	COMPLIANT		
3. The individual members conduct a self-assessment of their performance.	COMPLIANT		
4. Each committee conducts a self-assessment of its performance.	COMPLIANT		
5. Every three years, the assessments are supported by an external facilitator.	COMPLIANT	This is a new requirement by SEC MC 19-16, which became effective only on 1 January 2017. Therefore, the Corporation has until 31 December 2019 to decide whether or not it is necessary and/or appropriate to	

		engage an external facilitator to support the assessment process considering the structure, risk profile and nature of operations of the Corporation.	
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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 Revised CG Manual, Clause 7.2, pages 28-29.	
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2. The system allows for a feedback mechanism from the shareholders.	COMPLIANT	<p>The CEO and the President are evaluated by the Board primarily on their leadership, teamwork and execution of the AOP for the relevant year and attainment of the corporate objectives, particularly, the operating targets set out in said AOP. Their performance is also evaluated vis-à-vis their compliance with their respective duties and responsibilities as set forth in the Corporation's By-Laws, the Revised CG Manual, and their respective appointments.</p> <p>While there has been no formal system established to measure the performance of the Board and the Board committees, the evaluation by the stockholders of the effectiveness of the Board and its committees can be seen in the vote of confidence given to the members elected to the Board from year to year.</p>	
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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	COMPLIANT	Please refer to:	
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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.		<ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.3, Paragraph 1, Page 5; and ▪ ACGR, Part B, item 1, pages 25-26 on "Code of Business Conduct and Ethics." 	
2. The Code is properly disseminated to the Board, senior management and employees.	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.3, Paragraph 1, Page 5; and ▪ ACGR, part B, item 2, page 26. 	
3. The Code is disclosed and made available to the public through the company website.	COMPLIANT	<p>The Code is disclosed in the ACGR. Please refer to the link below.</p> <p>http://pepsiphilippines.com/irfiles/Consolidated_ACGR_for_2016.pdf</p>	
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	<p>Please refer to ACGR, part B, items 1 and 3, pages 25-26 on "Code of Business Conduct and Ethics," and part N, page 63 on "Internal Breaches and Sanctions."</p>	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	COMPLIANT	<p>Directors, Senior Management and employees are required to comply with the Code of Business Conduct and Ethics.</p>	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.3, paragraph 1, page 5; and ▪ ACGR, part B, items 1 and 3, pages 25-26 on "Code of Business Conduct and Ethics," and part N, page 63 on "Internal Breaches and Sanctions." 	

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 give a fair and complete picture of a company's financial condition, results and business operations.	COMPLIANT	Please refer to Revised CG Manual, Clause 5, pages 26-27.
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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	<p>Annual Reports (SEC Form 17-A) 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 2017 was filed on 3 April 2018.</p> <p>Interim reports (SEC Form 17-Q) 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 2017, 30 June 2017 and 30 September 2017 were filed on 5 May 2017, 15 August 2017 and 16 November 2017, respectively.</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;	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ DIS, part B, item 4, page 7 on "Changes in Control" and "Certain Relationships and Related Transactions;" and

and any imbalances between the controlling shareholders' voting power and overall equity position in the company.		<ul style="list-style-type: none"> ▪ 17-A, part III, item 12, page 25 on "Changes in Control" and item 13, page 25 on "Certain Relationships and Related Transactions." 	
Recommendation 8.2			
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.	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.1.4 (1st bullet point), page 6; and ▪ Various SEC Forms 23-A and 23-B uploaded to the PSE EDGE and posted on the Corporation's website in 2017 (https://www.pepsiphilippines.com/ir.php?entries=all) under "SEC Reports." 	
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.	COMPLIANT		
Supplement to Recommendation 8.2			
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).	COMPLIANT	Please refer to: <ul style="list-style-type: none"> ▪ DIS, part B, item 4, page 4 on "Security Ownership of Record and Beneficial Owners of at Least 5% of Our Securities as of 31 March 2018" and page 6 on "Security Ownership of Management as of 31 March 2018;" ▪ 17-A, part III, item 12, page 23 on "Security Ownership of Record and Beneficial Owners of at Least 5% of Our Securities as of February 28, 2018" and page 24 on "Security Ownership of Management as of February 28, 2018;" and ▪ List of Top 100 Stockholders uploaded to the PSE EDGE and posted on the Corporation's website. 	

		On the requirement of the map, please refer to the attachment to the AFS captioned "Map of Group of Companies Within which the Company Belongs as at December 31, 2017."	
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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.	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ DIS, part B, item 4, page 6 on "Security Ownership of Management as of 31 March 2018;" ▪ DIS, part B, item 5, pages 9-10 on "Background Information and Business Experience" of the Directors; ▪ 17-A, part III, item 12, page 24 on "Security Ownership of Management as of February 28, 2018;" ▪ 17-A, part III, item 10, pages 19-20 on "Background Information and Business Experience" of the Directors; ▪ Individual Certification of Independent Director signed by Mr. Oscar S. Reyes and Mr. Rafael M. Alunan III attached to the DIS; and ▪ Annex "A" on "Relevant Trainings of Directors and Officers for 2017." 	
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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.	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ DIS, part B, item 4, page 6 on "Security Ownership of Management as of 31 March 2018;" ▪ DIS, part B, item 5, pages 11-12 on "Background Information and Business Experience" of the Executive Officers; 	
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		<ul style="list-style-type: none"> ▪ 17-A, part III, item 12, page 24 on “Security Ownership of Management as of February 28, 2018;” ▪ 17-A, part III, item 10, pages 20-21 on “Background Information and Business Experience” of the Executive Officers; and ▪ Annex “A” on “Relevant Trainings of Directors and Officers for 2017.” 	
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.	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, Clause 2.2.2.3 (1st Paragraph), page 15, and Clause 2.2.2.3.6, page 20; and ▪ By-laws, Article III, Section 11, pages 8-9. 	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Revised CG Manual, page 20, Clause 2.2.3.7; and ▪ ACGR, part D, item 1, page 32 on “Remuneration Process.” 	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ DIS, part B, item 6, page 14 on “Compensation of Directors and Executive Officers;” and ▪ 17-A, part III, item 11, page 22 on “Executive Compensation.” 	
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	COMPLIANT	<p>Please refer to Revised CG Manual, Clauses 2.2.2.2.20 up to 2.2.2.2.25, pages 13 and 14.</p> <p>The Directors are aware of the policy reflected in the Revised CG Manual,</p>	

		Clause 2.2.1.4 (1 st bullet point), page 6.	
2. Company discloses material or significant RPTs reviewed and approved during the year.	COMPLIANT	Please refer to AFS, Notes 22 and 23, pages 39-43 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"> ▪ Revised CG Manual, Clause 2.2.1.4 (1st bullet point), page 6; ▪ DIS, part B, item 5, 2nd to the last paragraph, page 12; and ▪ 17-A, part III, item 10, 1st paragraph, page 22. 	
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	Please refer to ACGR, part B, item 4(b)(ii), page 27 on "Mechanism."	
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"> ▪ Revised CG Manual, Clause 5.3, page 27; and ▪ Various SEC Form 17-Cs uploaded to the PSE Edge and posted on the Corporation's website in 2017. 	
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			

<p>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.</p>	<p>COMPLIANT</p>	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ DIS, part B, item 4, page 7 on "Changes in Control" and "Certain Relationships and Related Transactions;" and ▪ 17-A, part III, item 12, page 25 on "Changes in Control" and item 13, page 25 on "Certain Relationships and Related Transactions." 	
<p>Recommendation 8.7</p>			
<p>1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).</p>	<p>COMPLIANT</p>	<p>Please refer to the Corporation's website link below.</p>	
<p>2. Company's MCG is submitted to the SEC and PSE.</p>	<p>COMPLIANT</p>	<p>https://www.pepsiphilippines.com/irfile/Revised_Manual_on_Corporate_Governance_2017.pdf</p>	
<p>3. Company's MCG is posted on its company website.</p>	<p>COMPLIANT</p>		
<p>Supplement to Recommendation 8.7</p>			
<p>1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.</p>	<p>COMPLIANT</p>	<p>For the submission to the SEC of the Revised CG Manual, please refer to the Barcode Page attached hereto as Annex "B."</p> <p>For the submission to the PSE, please refer to the link below and check the submission (PSE Form 17-18 approved on 8 December 2017 at 8:27 AM as Company Report No. CR08199-2017).</p> <p>http://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=617</p>	
<p>Optional: Principle 8</p>			
<p>1. Does the company's Annual Report disclose the following information:</p>		<p>Please refer to the following portions of the 17-A:</p>	

a. Corporate Objectives	COMPLIANT	Part I, item 1(1)(a), page 3 referring to the Corporation's primary purpose	
b. Financial performance indicators	COMPLIANT	Part III, items 6-9, pages 13-17 on "FINANCIAL INFORMATION"	
c. Non-financial performance indicators	COMPLIANT	Part I, items 1-3, pages 3-10 on "BUSINESS AND GENERAL INFORMATION"	
d. Dividend Policy	COMPLIANT	Page 13 on "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	COMPLIANT	Part III, item 10, pages 17-20 on Directors	
f. Attendance details of each director in all directors meetings held during the year			
g. Total remuneration of each member of the board of directors	COMPLIANT	Page 22 on "Compensation of Directors and Executive Officers"	
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.		Provide link or reference to where this is contained in the Annual Report	
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.		Provide link or reference to where this is contained in the Annual Report	
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		Provide link or reference to where this is contained in the Annual Report	

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 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"> Revised CG Manual, Clause 2.2.2.2.4, page 11; and Item 8, page 5 of the Minutes of the Annual Stockholders' Meeting held on 26 May 2017 (https://www.pepsiphilippines.com/irfiles/Minutes_of_ASM_2017_signed.pdf) 	
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 2017 Annual Stockholders' Meeting of the Corporation held on 26 May 2017 at Acacia Hotel Manila, Filinvest Corporate City, Alabang, Muntinlupa City, 78.33% of the shareholders ratified the reappointment of the external auditor.	
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.	COMPLIANT	There is a policy governing this matter in the Revised CG Manual, Clause 2.2.2.2.4, page 11. However, the Corporation has not had 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: <ul style="list-style-type: none"> Revised CG Manual, Clause 2.2.8.3, 	
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		<ul style="list-style-type: none"> ▪ page 25; and ▪ ACGR, part G, item 2(g), page 49 on “Mechanisms and Safeguards.” 	
Recommendation 9.2			
<p>1. Audit Committee Charter includes the Audit Committee’s responsibility on:</p> <ul style="list-style-type: none"> i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor’s independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. 	NON-COMPLIANT		The Corporation is in the process of preparing and getting Board approval for the Audit Committee Charter.
<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>	NON-COMPLIANT		
Supplement to Recommendations 9.2			
<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>	NON-COMPLIANT		The Corporation is in the process of preparing and getting Board approval for the Audit Committee Charter.
<p>2. Audit Committee ensures that the external auditor has adequate quality control procedures.</p>	NON-COMPLIANT		
Recommendation 9.3			

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.	COMPLIANT	The external auditor performed the following non-audit services for the Corporation in 2017: tax accounting, compliance, advice, planning and other tax 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.	COMPLIANT	Please refer to Revised CG Manual, Clause 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"> ▪ DIS, part B, item 7, pages 14-15 on "Independent Public Accountants;" and ▪ 17-A, part III, item 8, pages 16-17 on "Information on Independent Accountant." 	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	COMPLIANT	Please refer to the signature portion of the Report of Independent Auditors attached to the AFS. The SEC Accreditation No. of the Corporation's external auditor, R.G. Manabat & Co. ("RGM&CO."), is 0004-FR-5, Group A, issued on 16 November 2017 and valid until 15 November 2020. The signing Partner of RGM&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.	

		Below is the contact information of RGM&CO. Address: The KPMG Center, 9/F Telephone: +63 (2) 885 7000 Fax: +63 (2) 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).	COMPLIANT	As Group A audit firm accredited by the SEC, RGM&CO., is covered and must comply with the directives and requirements of the SEC for the oversight assurance review. RGM&CO. confirmed that as of this date, they have not yet been subjected to SEC Oversight Assurance Review (SOAR) inspection. RGM&CO. further stated that they are not aware of the exact date when the inspection will be conducted by the SEC. During the roundtable discussion with the SEC Office of the General Accountant (OGA) and its Supervising Commissioner, it was mentioned that the inspection will be conducted in 2018.	

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 Revised CG Manual, Clause 2.2.1.3 (3 rd bullet point), page 5.	
2. Company adopts a globally recognized	COMPLIANT	Please refer to ACGR, part H, item 1,	

standard/framework in reporting sustainability and non-financial issues.		page 50 on “Environmentally friendly value-chain (Community interaction)”.	
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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. <ul style="list-style-type: none"> ▪ https://www.pepsiphilippines.com ▪ http://edge.pse.com.ph/company/information/form.do?cmpy_id=617 ▪ https://secexpress.ph/ 	
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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 https://www.pepsiphilippines.com/ir.php?entries=all	
a. Financial statements/reports (latest quarterly)	COMPLIANT		
b. Materials provided in briefings to analysts and media	COMPLIANT		
c. Downloadable annual report	COMPLIANT		
d. Notice of ASM and/or SSM	COMPLIANT		
e. Minutes of ASM and/or SSM	COMPLIANT		
f. Company’s Articles of Incorporation and By-Laws	COMPLIANT		

Additional Recommendation to Principle 11

1. Company complies with SEC-prescribed website template.	COMPLIANT	https://www.pepsiphilippines.com/ or https://www.pepsiphilippines.com/ir.php?entries=all	
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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

<p>1. Company has an adequate and effective internal control system in the conduct of its business.</p>	<p>COMPLIANT</p>	<p>The Corporation adopts the COSO definition of Internal Control System.</p> <p>Internal Control System is the system or body of processes, effected by the Board, Management and other personnel, designed to provide reasonable assurance regarding the achievement of the following business objectives: 1. Effectiveness of and efficiency of operations; 2. Reliability of financial reporting; and 3. Compliance with applicable laws and regulations.</p> <p>The Board through its Audit Committee reviews quarterly the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with laws and regulations, regularly conducts quarterly meetings with PCPPI's Controller and Audit Head, and as needed, with other PCPPI function heads, and the external auditors.</p>	
<p>2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>COMPLIANT</p>	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ ACGR, part F, item 3(a), page 46; ▪ Management Report (Annex A of DIS), part 1, pages 1 and 2 on "Philippine Beverage Industry" and "Principal Suppliers," part V, page 7 (paragraph 1) on "Financial 	

		<p>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;” and</p> <ul style="list-style-type: none"> 17-A, 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>	COMPLIANT	<p>Please refer to the Corporation’s Revised CG Manual.</p> <p>The Revised CG Manual shall be 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>		Provide information on IT governance process	
Recommendation 12.2			
<p>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.</p>	COMPLIANT	The internal audit function is undertaken in house.	
Recommendation 12.3			
<p>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.</p>	COMPLIANT	The Corporation’s Senior Vice President and Chief Financial Officer (“SVP-	

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	CFO”), Mr. Imran Moid, is the Chief Audit Executive (“CAE”). His responsibilities are laid down in Clause 2.2.9 of the Revised CG Manual.	
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.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	COMPLIANT	Please refer to Revised CG Manual, Clauses 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	Please refer to ACGR, part C, item 6, page 32 on “External Advice.”	
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. His responsibilities are laid down in Clause 2.2.7 of the Revised CG Manual.	
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	COMPLIANT		
Additional Recommendation to Principle 12			
1. Company’s Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	COMPLIANT	Please refer to the 1 st paragraph of the Statement of Management’s Responsibility for the AFS signed by the CEO and the SVP-CFO who is the CAE.	

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 Revised CG Manual, Clause 6, page 28.	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	COMPLIANT	Please note that the Revised CG Manual where the basic shareholder rights are disclosed is posted on the Corporation's website. https://www.pepsiphilippines.com/irfile/Revised_Manual_on_Corporate_Governance_2017.pdf	

Supplement to Recommendation 13.1

1. Company's common share has one vote for one share.	COMPLIANT	Please refer to 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.	COMPLIANT	Please refer to DIS, item 4, page 4.	
3. Board has an effective, secure, and efficient voting system.	COMPLIANT	Please refer to DIS, item 19, pages 17-18.	
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.	COMPLIANT	Please refer to DIS, item 4, paragraph 2, page 4 on "cumulative voting."	
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 ACGR, part F, item 2(c), paragraph 2, page 45 on "Minority Shareholders."	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	COMPLIANT	Please refer to ACGR, part F, item 2(c), paragraph 2, page 45 on "Minority Shareholders."	

7. Company has a transparent and specific dividend policy.	COMPLIANT	<p>Please refer to:</p> <ul style="list-style-type: none"> ▪ Management Report (Annex A of DIS), part II, pages 4-5 on "Dividend Policy;" and ▪ 17-A, part II, item 5, page 13 on "Dividend Policy." <p>The Corporation declared dividends within eighteen (18) Trading Days from the record date in accordance with Article VII, Section 6.2 of the PSE Consolidated Listing and Disclosure Rules. Please refer to DIS, part II, page 4 on "Cash Dividends."</p>	
Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.		Identify the independent party that counted/validated the votes at the ASM, if any.	
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/Agenda for the 2018 ASM was uploaded to the PSE Edge on 28 March 2018 and circulated to the public on 2 April 2018, which is more than 28 days before the 11 May 2018 ASM.	
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:		Please refer to the following pages of the DIS to which the Notice of ASM 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 8-10	
b. Auditors seeking appointment/re-appointment	COMPLIANT	item 7 pages 14-15	

c. Proxy documents	COMPLIANT	A statement that the Corporation is not asking the stockholder for a proxy and he/she is requested not to send the Corporation a proxy appears on page 2.	
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting	COMPLIANT	The agenda items for the 2018 ASM 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 2018 ASM was submitted to the SEC on the same day (11 May 2018) and was approved by the PSE for circulation via the PSE EDGE on the next working day.	
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.	COMPLIANT	The Corporation caused the signed minutes of the 2017 ASM as approved by the stockholders during the 11 May 2018 ASM to be posted on the Corporation's website within five (5) business days from ASM date.	
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	COMPLIANT	The external auditor and other relevant individuals such as the transfer agent are present at every ASM including the 2018 ASM.	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	COMPLIANT	Please refer to ACGR, part B, item 6, page 28 on "Alternative Dispute Resolution."	
2. The alternative dispute mechanism is included in the company's Manual on	COMPLIANT	The policy to formulate an alternative dispute mechanism is stated in Clause	

Corporate Governance.		2.2.1.3 of the Revised CG Manual. The mechanism itself was explained in detail in the ACGR as shown above.	
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	COMPLIANT	The Investor Relations Officer (IRO) is Mr. Imran Moid. Below are the contact details of his office. <ul style="list-style-type: none"> ▪ Address: Km. 29 National Road, Tunasan, Muntinlupa City ▪ Telephone number: (02) 88PEPSI <p>To send an email to the IRO, kindly refer to the link below.</p> <p>https://www.pepsiphilippines.com/contact.php</p>	
2. IRO is present at every shareholder's meeting.	COMPLIANT	Yes, the IRO was present at the 2018 ASM.	
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	Please refer to ACGR, part F, item 2(c), page 45.	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	COMPLIANT	As of 1 May 2018, the Corporation's public float is 33.65%	
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting	COMPLIANT	Please refer to ACGR, part J, item 1(d)(1) and (2), pages 55-56.	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.		Disclose the process and procedure for secure electronic voting in absentia, if any.	

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 ACGR, part H, pages 50-53 on "Role of Stakeholders."	
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Recommendation 14.2

1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	COMPLIANT	Please refer to ACGR, part H, pages 50-53 on "Role of Stakeholders."	
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Recommendation 14.3

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.	COMPLIANT	Please refer to ACGR, part H, item 4, pages 52-53 on "Role of Stakeholders."	
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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	Please refer to ACGR, part B, item 6, page 28 on "Alternative Dispute Resolution."	
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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.	
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2. Company respects intellectual property rights.	COMPLIANT	Please refer to 17-A, part I, item 2(i), page 6.	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare	COMPLIANT	Please refer to ACGR, part H, item (1), page 50 on the Corporation's policy and activities relative to customers' welfare.	
2. Company discloses its policies and practices that address supplier/contractor selection procedures	COMPLIANT	Please refer to ACGR, part H, item (1), page 50 on the Corporation's policy and activities relative to supplier/contractor selection practice.	
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 actively participate in the realization of the company's goals and in its governance.	COMPLIANT	Please refer to ACGR, part H, items 3 and 4, pages 51-53.	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	COMPLIANT	Please refer to ACGR, part H, item 3(d), page 52.	
2. Company has policies and practices on health, safety and welfare of its employees.	COMPLIANT	Please refer to ACGR, part H, item 3(b), page 51.	
3. Company has policies and practices on training and development of its employees.	COMPLIANT	Please refer to ACGR, part H, item 3(c), page 52.	
Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an	COMPLIANT	Please refer to ACGR, part B, item 1, page 25 on "Code of Business Conduct	

anti-corruption policy and program in its Code of Conduct.		& Ethics" and part H, item (1), page 50 on "Anti-corruption programmes and procedures."	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	COMPLIANT	<p>Pepsi University (PU) is the training and capability-building center of the Corporation that is dedicated to teaching and promoting the corporate values of Passion, Excellence, Professionalism, Service and Integrity among the Corporation's employees.</p> <p>Please refer to the Corporation's website on PU (https://www.pepsiphilippines.com/company06.php)</p>	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	COMPLIANT	<p>Please refer to the following sections of the ACGR:</p> <ul style="list-style-type: none"> ▪ part B, item 1, page 25 on "Code of Business Conduct & Ethics;" ▪ part B, item 3, page 26 on "compliance with the code of ethics or conduct;" and ▪ part N, page 63 on "Internal Breaches and Sanctions." 	
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	A Director, Senior Management or employee can "Speak Up" through a Speak-Up Line Unit via phone or email, the numbers and address of which are appropriately advertised internally.	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent	COMPLIANT	Please refer to ACGR, part H, item 4, pages 52-53 for the procedure for	

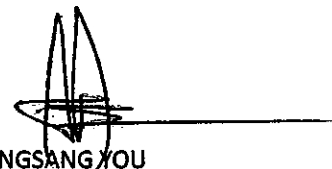
member of the Board or a unit created to handle whistleblowing concerns.		handling complaints by employees concerning illegal (including corrupt) and unethical behavior, and how the employees are protected from retaliation.	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	COMPLIANT	Please refer to ACGR, part B, item 3, page 26.	
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 ACGR, part L, pages 62-63 on "Corporate Social Responsibility Initiatives" or the "Social Responsibility" page of the Corporation's website at https://www.pepsiphilippines.com/csr.php .	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	COMPLIANT	Please refer to ACGR, part L, pages 62-63 on "Corporate Social Responsibility Initiatives" or the "Social Responsibility" page of the Corporation's website at https://www.pepsiphilippines.com/csr.php .	
2. Company exerts effort to interact positively with the communities in which it operates	COMPLIANT		

Pursuant to the requirement of the Securities and Exchange Commission, this Integrated Annual Corporate Governance Report for 2017 is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on MAY 30 2018.

SIGNATURES



OSCAR S. REYES
Chairman of the Board / Independent Director



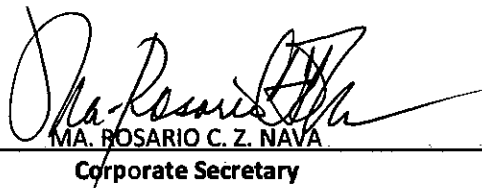
YONGSANG YOU
Chief Executive Officer



RAFAEL M. ALUNAN III
Independent Director



LOPE R. MANUEL, JR.
Compliance Officer



MA. ROSARIO C. Z. NAVA
Corporate Secretary

MAKATI CITY

MAY 30 2018

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

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
OSCAR S. REYES	P5302920A	11 December 2017	DFA, NCR-East
YONGSANG YOU	M55826461	28 December 2011	Ministry of Foreign Affairs and Trade, Republic of Korea
RAFAEL M. ALUNAN III	EC7409035	14 April 2016	DFA, NCR-East
LOPE R. MANUEL, JR.	EC1505903	1 July 2014	DFA, NCR-East
MA. ROSARIO C.Z. NAVA	P4456133A	21 September 2017	DFA, NCR-West

Doc No. 102 ;
Page No. 22 ;
Book No. 343 ;
Series of 2018.

NOTARY PUBLIC

ATTY. VIRGINIO R. BATALLA

NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-88

UNTIL DECEMBER 31, 2018 - ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V-0026676 /4-11-2018
IBP O.R No. 706762-LIFETIME MEMBER JAN. 29, 2007
PTR No. 6607619- JAN 03, 2018- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER

ANNEX "A"
RELEVANT TRAININGS OF DIRECTORS AND OFFICERS FOR 2017

Name of Director/Officer and Position	Date of Training	Program	Topics Covered	No. of Hours Attended
<p style="text-align: center;">Yongsang You (Chief Executive Officer and Executive Director)</p>	<p style="text-align: center;">22 November 2017</p>	<p style="text-align: center;">Securities Exchange Commission-Philippine Stock Exchange Corporate Governance Forum (Venue: <i>Philippine International Convention Center, Pasay City</i>)</p>	<ul style="list-style-type: none"> ▪ Cyber Security and Information Technology Governance ▪ Improving the Philippine Investment Climate by Balancing Bank ▪ Secrecy and Transparency ▪ Millennials and the Future of Corporate Governance ▪ SEC-PSE Integrated Annual Corporate Governance Report 	<p style="text-align: center;">5</p>
<p style="text-align: center;">Samudra Bhattacharya (President and Executive Director)</p>	<p style="text-align: center;">22 November 2017</p>	<p style="text-align: center;">Securities Exchange Commission-Philippine Stock Exchange Corporate Governance Forum (Venue: <i>Philippine International Convention Center, Pasay City</i>)</p>	<ul style="list-style-type: none"> ▪ Cyber Security and Information Technology Governance ▪ Improving the Philippine Investment Climate by Balancing Bank ▪ Secrecy and Transparency ▪ Millennials and the Future of Corporate Governance ▪ SEC-PSE Integrated Annual Corporate Governance Report 	<p style="text-align: center;">5</p>
<p style="text-align: center;">Oscar S. Reyes</p>	<p style="text-align: center;">7 September 2017</p>	<p style="text-align: center;">CG Governance</p>	<p>Charting the Digital Age, its Risks and</p>	<p style="text-align: center;">4</p>

<p><i>[Chairman of the Board (Non-Executive) and Independent Director]</i></p>		<p>Enhancement Session for Manila Electric Co./Philex Mining Corp./PLDT Inc.</p>	<p>Strategies through Governance and a Responsive Corporate Culture</p>	
<p>Imran Moid <i>(Senior Vice-President and Chief Financial Officer/Chief Audit Executive)</i></p>	<p>22 November 2017</p>	<p>Securities Exchange Commission-Philippine Stock Exchange Corporate Governance Forum <i>(Venue: Philippine International Convention Center, Pasay City)</i></p>	<ul style="list-style-type: none"> ▪ Cyber Security and Information Technology Governance ▪ Improving the Philippine Investment Climate by Balancing Bank ▪ Secrecy and Transparency ▪ Millennials and the Future of Corporate Governance ▪ SEC-PSE Integrated Annual Corporate Governance Report 	<p>5</p>
<p>Lope R. Manuel, Jr. <i>(Vice-President, Legal and Government Affairs/Compliance Officer/Data Protection Officer)</i></p>	<p>22 November 2017</p>	<p>Securities Exchange Commission-Philippine Stock Exchange Corporate Governance Forum <i>(Venue: Philippine International Convention Center, Pasay City)</i></p>	<ul style="list-style-type: none"> ▪ Cyber Security and Information Technology Governance ▪ Improving the Philippine Investment Climate by Balancing Bank ▪ Secrecy and Transparency ▪ Millennials and the Future of Corporate Governance ▪ SEC-PSE Integrated Annual Corporate Governance Report 	<p>5</p>
<p>Agustin S. Sarmiento</p>	<p>22 November</p>	<p>Securities</p>	<ul style="list-style-type: none"> ▪ Cyber Security 	<p>5</p>

<p>(AVP-Tax and Reporting/Chief Risk Officer)</p>	<p>2017</p>	<p>Exchange Commission-Philippine Stock Exchange Corporate Governance Forum (Venue: <i>Philippine International Convention Center, Pasay City</i>)</p>	<p>and Information Technology Governance</p> <ul style="list-style-type: none"> ▪ Improving the Philippine Investment Climate by Balancing Bank ▪ Secrecy and Transparency ▪ Millennials and the Future of Corporate Governance ▪ SEC-PSE Integrated Annual Corporate Governance Report 	
<p>Ma. Rosario C. Z. Nava (Corporate Secretary)</p>	<p>22 November 2017</p>	<p>Securities Exchange Commission-Philippine Stock Exchange Corporate Governance Forum (Venue: <i>Philippine International Convention Center, Pasay City</i>)</p>	<ul style="list-style-type: none"> ▪ Cyber Security and Information Technology Governance ▪ Improving the Philippine Investment Climate by Balancing Bank ▪ Secrecy and Transparency ▪ Millennials and the Future of Corporate Governance ▪ SEC-PSE Integrated Annual Corporate Governance Report 	<p>5</p>

ANNEX "B"
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