



11/F San Miguel Properties Centre,
7 St. Francis St., Mandaluyong City 1550
Metro Manila, Philippines

30 June 2023

Philippine Dealing & Exchange Corp.
29th Floor, BDO Equitable Tower,
8751 Paseo de Roxas, Makati City

Attention: **Atty. Marie Rose M. Magallen-Lirio**
Head - Issuer Compliance and Disclosure Department

Re: SMC SLEX Inc. Php 7.3 Billion Fixed Rate Bonds
SEC Form-ACGR

Gentlemen:

In compliance with the Philippine Dealing & Exchange Corp. ("PDEX") guidelines, please find enclosed copy of our disclosure to Securities and Exchange Commission, in the form of SEC Form-ACGR.

As agreed with you, we shall inform PDEX in case of changes.

Thank you.

Very truly yours,


RAOUL EDUARDO C. ROMULO
Corporate Information Officer

Fw: SMC SLEX Inc. Annual Corporate Governance Report 29 June 2023

corsec.ccc <corsec.ccc@smhc.sanmiguel.com.ph>

Thu 6/29/2023 3:24 PM

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Subject: Re: SMC SLEX Inc. _Annual Corporate Governance Report_ 29 June 2023

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----- NOTICE TO
COMPANIES -----

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1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report

2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors

(Appointment)

6. MRPT

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<https://efast.sec.gov.ph/user/login> :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link –

<https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.

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SEC FORM-ACGR (FOR PC/RI)

ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

1. For the fiscal year ended **December 31, 2022**
2. SEC Registration Number **A200010622**
3. BIR Tax Identification Number **207-247-094**
4. Exact Name of the Issuer as specified in its charter
SMC SLEX INC. (Formerly: South Luzon Tollway Corporation)
.....
5. Province, Country or other jurisdiction of incorporation or organization
Philippines
.....
6. Address of Principal Office
11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City
.....
Postal Code **1550**
7. Issuer's telephone number, including area code **(02) 8584-4655**
8. Former name, former address, and former fiscal year, if changed since last report
.....
9. Industry Classification Code (For SEC's use only)

ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC COMPANIES AND REGISTERED ISSUERS

RECOMMENDATION	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
THE BOARD'S GOVERNANCE RESPONSIBILITIES			
Principle 1. ESTABLISHING A COMPETENT BOARD			
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 growth in a manner consistent with its corporate objectives and the long-term best interests of its shareholders/members and other stakeholders.			
Recommendation 1.1			
1	COMPLIANT	Principle 1 and Recommendation 1.1 are embodied in the Manual on Corporate Governance of SMC SLEX Inc. (the "Company") as amended on 28 July 2020 (the "Manual"), specifically Section 2.2.1 [Board of Directors] thereof. The Manual may be downloaded from the website of the Company at: https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf The academic qualifications, industry knowledge, professional experience, and expertise of directors are set forth in the Definitive Information Statement of the Company filed on 19 April 2023 (the "Definitive Information Statement"), specifically pages 7 to 10 thereof, and Annual Report (SEC Form 17-A) for the fiscal year 31 December 2022 ("SEC Form 17-A"), specifically pages 40 to 42, Part III, Item 9 [Directors and Executive Officers of the Issuer]. The Definitive Information Statement and SEC Form 17-A, respectively, may be downloaded from the website of the Company at:	
2	COMPLIANT		
3	COMPLIANT		

			<p>https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc.- SEC Form 20-IS Definitive ASM .pdf</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX Disclosure Sec Form 17-A - SLEX.pdf</p> <p>The qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of their performance are specified in Section 2.2.1.5 [Qualification and Disqualification of Directors] of the Manual.</p>	
Recommendation 1.2				
1	The Board is headed by a competent and qualified Chairperson.	COMPLIANT	<p>The duties and functions of the Chairman of the Board are set out in Article V, Section 2 of the By-laws.</p> <p>https://smcslex.com.ph/files/reports/SMC_SLEX_Inc. Certificate of Filing of Amended By-Laws (formerly SLTC) .pdf</p> <p>and Section 2.2.3 [The Chair, the Chief Executive Officer and the Lead Independent Director] of the Manual.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p> <p>Mr. Ramon S. Ang is the Chairman of the Board since 2012. His academic qualifications and professional experience are set out on page 7 of the Definitive Information Statement</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc.- SEC Form 20-IS Definitive ASM .pdf</p> <p>and page 40 of the SEC Form 17-A.</p>	

<https://smcslex.com.ph/files/disclosures/17A/PDEX Disclosure Sec Form 17-A - SLEX.pdf>

Recommendation 1.3

1	The company provides a policy on training of directors.	COMPLIANT	<p>The policy on training of directors is set out in Section 2.2.1.4 [Duties and Responsibilities of a Director], which states that a director shall attend a seminar or training program on corporate governance, at least once a year, which shall be conducted by duly accredited training provider of the Commission.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p>	
2	The company has an orientation program for first-time directors.	COMPLIANT	<p>Section 6.5 of the Manual provides that the Board of Directors and key officers of the Company shall attend a continuing training on corporate governance as may be required by the Commission, which shall include courses on the developments in the business and regulatory environments, including emerging risks relevant to the Company. The said provision likewise states that first-time Directors shall attend an orientation program, to ensure that they are appropriately apprised of their duties and responsibilities, before beginning their directorships. The orientation program covers SEC-mandated topics on corporate governance and an introduction to the Company's business, articles of incorporation, and Code of Business Conduct and Ethics.</p>	
3	The company has relevant annual continuing training for all directors.	COMPLIANT	<p>https://smcslex.com.ph/files/disclosures/Other/SLTC Code of Ethics and Business Conduct.pdf</p> <p>The Compliance Officer hereby attests that the Company conducts an orientation program for new directors which is conducted by the Office of the Corporate Secretariat. The presentation includes an overview of the business of the Company, most recent financial statements, results of operations, corporate social</p>	

			<p>responsibility initiatives, the Code of Ethics, policy on dealings with securities, the Manual, functions and duties of the members of the Board of Directors, the Board of Directors as a collegial body and reportorial requirements as a member of the Board of Directors. The orientation session is conducted individually which allows the new director/s to ask questions. Copies of the constitutive documents of the Company, and the latest information package of the Company, if available, are also given to the new director during orientation.</p> <p>The undersigned Compliance Officer hereby attests that:</p> <p>In compliance with SEC Memorandum Circular No. 20, Series of 2013, the Company disclosed to the Commission the fact of attendance by the members of the Board of Directors of the Company of corporate governance training seminars conducted in 2022, as more particularly set out in Annex "A" hereof.</p>	
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Recommendation 1.4

1	The Board has a policy on board diversity.	<p>COMPLIANT</p>	<p>Section 2.2.1.5 [Qualifications and Disqualifications of Directors] of the Manual states that the Board of Directors shall be composed of members from diverse backgrounds to ensure that optimal decision-making is achieved.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p> <p>The members of the Board come from diverse background such as legal, finance, business and policy advocates.</p> <p>The Board has four (4) female members, Ms. Aurora T. Calderon, Ms. Sheila N. Castaloni, Ms. Catherine L. Fong and Atty. Consuelo Ynares-Santiago. The gender composition of the Board is</p>	
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			<p>set out on page 4 of the General Information Sheet of the Company as of 18 May 2023 (the “GIS”), which may be downloaded from the website of the Company at:</p> <p>https://smcslex.com.ph/files/disclosures/GIS/PDEX_Disclosure_2023_GIS_-_SLEX.pdf</p>	
Recommendation 1.5				
1	The Board is assisted by a Corporate Secretary.	COMPLIANT	<p>The qualifications, duties and functions of the Corporate Secretary are set out in Article V, Section 6 of the By-laws</p> <p>https://smcslex.com.ph/files/reports/SMC_SLEX_Inc._Certificate_of_Filing_of_Amended_By-Laws_(formerly_SLTC)_pdf</p>	
2	The Corporate Secretary is a separate individual from the Compliance Officer.	NON-COMPLIANT	<p>and Section 2.2.4 of the Manual.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p> <p>Atty. Jose C. Laureta is the Corporate Secretary and Compliance Officer of the Company. His academic qualifications and professional experience are set out on page 10 of the Definitive Information Statement.</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc.-_SEC_Form_20-IS_Definitive_ASM_.pdf</p> <p>and page 43 of the SEC Form 17-A.</p>	<p>The Manual provides that the Board shall appoint the Corporate Secretary and Compliance Officer, which positions may or may not be held by the same person.</p> <p>Customarily, the Board appoints a senior, reputable, and experienced external Corporate Secretary and Compliance Officer, who possesses sufficient legal knowledge and expertise, considering the nature of these functions. The Corporate Secretary and Compliance Officer is supported by the Company’s legal department with resources and legal staff who assist the Corporate Secretary and Compliance Officer in performing his functions.</p> <p>The Board deems that the foregoing arrangement is effective, efficient and maximizes the resources of the Company.</p>
3	The Corporate Secretary is not a member of the Board of Directors.	COMPLIANT	<p>https://smcslex.com.ph/files/disclosures/17A/PDEX_Disclosure_Sec_Form_17-A_-_SLEX.pdf</p> <p>Atty. Jose C. Laureta is not a director of the Company. Page 7 of the Definitive Information Statement lists the members of the Board of Directors of the Company, which list does not include Atty. Laureta.</p>	

4	The Corporate Secretary attends annual training/s on corporate governance.	COMPLIANT	The Company disclosed to the Commission the fact of attendance by the Corporate Secretary of the annual corporate governance training seminar conducted in 2022. https://smcslex.com.ph/files/disclosures/Other/PDEx_Disclosure - SLEX_CorpGov_Training.pdf	
Recommendation 1.6				
1	The Board is assisted by a Compliance Officer.	COMPLIANT	The qualifications, duties and functions of the Compliance Officer are set out in Section 2.1 [Compliance Officer] of the Manual.	
2	The Compliance Officer has a rank of Senior Vice-President or an equivalent position with adequate stature and authority in the corporation.	COMPLIANT	https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf	
3	The Compliance Officer is not a member of the board.	COMPLIANT	Atty. Jose C. Laureta is the Compliance Officer of the Company. His academic qualifications and professional experience are set out on page 10 of the Definitive Information Statement https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc.-_SEC_Form_20-IS_Definitive_ASM_.pdf and page 43 of the SEC Form 17-A. https://smcslex.com.ph/files/disclosures/17A/PDEX_Disclosure_Sec_Form_17-A_-_SLEX.pdf Atty. Jose C. Laureta is not a director of the Company. Page 7 of the Definitive Information Statement lists the members of the Board of Directors of the Company, which list does not include Atty. Laureta.	

4	The Compliance Officer attends annual training/s on corporate governance.	COMPLIANT	<p>The Company disclosed to the Commission the fact of attendance by the Compliance Officer of the corporate governance training seminar conducted in 2022.</p> <p>https://smcslex.com.ph/files/disclosures/Other/PDEx Disclosure - SLEX CorpGov Training.pdf</p>	
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Principle 2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

The fiduciary roles, responsibilities, and accountabilities of the Board, as provided under the law, the company's articles of incorporation and bylaws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to shareholders/members and other stakeholders.

Recommendation 2.1

1	The Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company, shareholders and stakeholders.	COMPLIANT	<p>Principle 2 and Recommendation 2.1 are embodied in Section 2.2.1.1 [General Responsibility] of the Manual</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p> <p>The undersigned Chairman of the Board of Directors and Corporate Secretary attest that the Board, during its meetings, acts on a fully informed bases, in good faith, with due diligence and care, and always in the best interest of the Company through active deliberations during said Board meetings when the topics and matters for approval so warrant.</p>	
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Recommendation 2.2

1	The Board oversees the development and approval of the company's business objectives and strategy.	COMPLIANT	<p>The undersigned Chairman of the Board of Directors and Corporate Secretary attest that:</p> <p>(a) The Board of Directors approves the annual budget of the Company which includes the approval of the Company's objectives and strategy for the upcoming year, which approval is made on an annual basis;</p>	
2	The Board oversees and monitors the implementation of the company's business objectives and strategy.	COMPLIANT	<p>(b) The Chief Finance Officer, upon the direction of the Chairman reports to the Board of</p>	

			<p>Directors on a quarterly basis the implementation of the Company's business objectives and strategy; and</p> <p>(c) The Board of Directors approves the financial report and financial position of the Company on a quarterly basis as embodied in the Company's SEC Form 17-Q which is filed with the Commission.</p> <p>Recommendation 2.2 is embodied in Section 2.2.1.1 [General Responsibility] of the Manual.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporateGovernance2020.pdf</p> <p>The Company's SEC Form 17-Q may be downloaded from its website at:</p> <p>https://smcslex.com.ph/files/disclosures/17Q/2022SLEXSECForm17-Q1stQuarter.pdf</p> <p>https://smcslex.com.ph/files/disclosures/17Q/SLEXSECForm17Q.pdf</p> <p>https://smcslex.com.ph/files/disclosures/17Q/PDExDisclosure-SLEXSecForm17-Q.pdf</p>	
Recommendation 2.3				
1	The Board ensures and adopts an effective succession planning program for directors, key officers and management.	COMPLIANT	<p>Under Section 2.2.1.2 [Specific Duties and Functions] of the Manual, the Board shall "appoint competent, professional, honest and highly-motivated Management Officers and adopt an effective succession planning program for Management and key Officers to ensure growth and continued increase in the shareholders' value, including a policy on the retirement age for Directors and key Officers, and to promote dynamism in the Corporation".</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporateGovernance2020.pdf</p>	
2	The Board adopts a policy for the retirement of directors and key officers.	COMPLIANT		

			<p>Also, under Section 2.2.2.1.2 of the Manual and Section 4 (d) of the Corporate Governance Committee Charter, the Corporate Governance Committee shall recommend a succession plan for the Board members and senior officers.</p> <p>The Corporate Governance Committee Charter may be downloaded from the website of the Company at:</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC Corporate Governance Committee Charter.pdf</p> <p>The undersigned Compliance Officer hereby attests that:</p> <p>The Board of Directors has oversight responsibilities in the selection and appointment of the Chief Executive Officer who possesses the ability, integrity and expertise necessary for the position.</p> <p>The Board likewise evaluates the proposed senior management appointments of the Company and selects qualified and competent management officers, which functions are exercised through the Corporate Governance Committee.</p> <p>The Corporation has a Management Development Program which identifies, evaluates and assesses individuals who, in the future, can potentially succeed in top key management positions.</p>	
Recommendation 2.4				
1	The Board aligns the remuneration of key officers and board members with the long-term interests of the company.	COMPLIANT	Under Section 2.2.1.2 [Specific Duties and Functions] of the Manual, the Board shall “[a]lign the remuneration of key Officers and Board members with the long-term interests of the	

2	The Board adopts a policy specifying the relationship between remuneration and performance.	COMPLIANT	Corporation and, in doing so, formulate and adopt a policy specifying the relationship between remuneration and performance.”	
3	The Directors do not participate in discussions or deliberations involving his/her own remuneration.	COMPLIANT	<p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p> <p>Under Section 2.2.2.1.2 of the Manual and Section 4 (i)(j) and (l) of the Corporate Governance Committee Charter, the Corporate Governance Committee shall:</p> <ul style="list-style-type: none"> ○ Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the culture, strategy and business environment of the Company; ○ Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully; and ○ Disallow any director to decide his or her own remuneration. <p>The undersigned Corporate Secretary hereby attests that, conformably with the foregoing policies, the fixed remuneration of directors is based on industry standards, and variable remuneration is based on the net income of the Company.</p> <p>Other than reasonable per diem, the directors of the Company have not received and do not receive any salary or compensation for their services as directors.</p>	

			<p>The Company provides each director with reasonable per diem of P50,000 and P10,000 for each Board and Committee meeting attended, respectively.</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX_Disclosure_Sec_Form_17-A_-_SLEX.pdf</p>	
Recommendation 2.5				
1	The Board has a formal and transparent board nomination and election policy.	COMPLIANT	The nomination and election process of the Company is set out in Article 3, Section 2 of the By-laws	
2	The Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	COMPLIANT	https://smcslex.com.ph/files/reports/SMC_SLEX_Inc._Certificate_of_Filing_of_Amended_By-Laws_(formerly_SLTC)_pdf	
3	The Board nomination and election policy includes how the company accepted nominations from shareholders/members.	COMPLIANT	and pages 11 to 12 of the Definitive Information Statement	
4	The Board nomination and election policy includes how the board reviews the qualifications of nominated candidates.	COMPLIANT	https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc.-_SEC_Form_20-IS_Definitive_ASM_.pdf	
5	The Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement/removal of a director.	COMPLIANT	Under Section 2.2.2.1.2 of the Manual https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf	
6	The Board has a process for identifying the quality of directors/trustees that is aligned with the strategic direction of the company.	COMPLIANT	<p>and Section 4 (g) and (h) of the Corporate Governance Committee Charter,</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC_Corporate_Governance_Committee_Charter.pdf</p> <p>the Corporate Governance Committee shall:</p> <ul style="list-style-type: none"> ○ Determine the nomination and election process for the directors of the Company and define the general profile of Board members that the Company may need and ensure 	

appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and

- Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications as provided in the Manual.

Section 5.1.2 [Voting Right] of the Manual sets out the right of shareholders to nominate, elect, remove and replace directors and states that a director shall not be removed without cause if it will deny minority shareholders representation in the Board.

[https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf](https://smcslex.com.ph/files/reports/ManualonCorporate%20Governance%202020.pdf)

The function of assessing the effectiveness of the nomination and election processes is performed by the Corporate Governance Committee.

Section 6.1 of the Corporate Governance Committee Charter states that the Committee shall “assess its effectiveness periodically, with the end in view of ensuring that its performance accords with best practice. Such assessment must compare its performance with the requirements of this Charter and the Amended Manual...”

[https://smcslex.com.ph/files/disclosures/Other/SLTC Corporate Governance Committee Charter.pdf](https://smcslex.com.ph/files/disclosures/Other/SLTC%20Corporate%20Governance%20Committee%20Charter.pdf)

The Corporate Governance Committee is yet to conduct such self-assessment on the effectiveness of the nomination and election processes. Nevertheless, the Board and its individual members conduct a general self-

			assessment through the submission of a self-rating form.	
Recommendation 2.6				
1	The Board has overall responsibility in ensuring that there is a policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	COMPLIANT	Under Section 2.2.1.2 [Specific Duties and Functions] of the Manual, the Board shall formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. Such policies shall include the appropriate review and approval of material or significant related party transactions, which guarantee fairness and transparency of the transactions, and encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	
2	The RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	COMPLIANT	<p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p> <p>The Company, a subsidiary of San Miguel Corporation, aligns its company policies with that of its parent company.</p> <p>The Related Party Transactions policy of the Company is published on the website of San Miguel Corporation at:</p> <p>https://www.sanmiguel.com.ph/storage/files/reports/Related-Party-Transactions-Policy.pdf</p> <p>The Related Party Transactions Committee (the "RPT Committee") is tasked with reviewing all material related party transactions of the Company.</p> <p>The duties and responsibilities of the RPT Committee are set forth in Section 2.2.2.5.2 of the</p>	

			<p>Manual and Section 4 of the RPT Committee Charter.</p> <p>The RPT Committee Charter may be downloaded from the website of the Company at:</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC Related Party Transactions Committee Charter.pdf</p> <p>Note 17 of the Notes to the Financial Statements of the Company as of the year 31 December 2022 sets out the related party transactions of the Company and outstanding balances as of the said date.</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX Disclosure Sec Form 17-A - SLEX.pdf</p>	
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Recommendation 2.7

1	<p>The Board is primarily responsible for approving the selection of Management, led by the Chief Executive Officer (CEO) or his/her equivalent, and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive, as may be applicable).</p>	<p>COMPLIANT</p>	<p>Article V, Section 1 of the By-laws enumerate the officers of the Company that are appointed by the Board, including, among others, the Chairman, Vice-Chairman, President, Vice-Presidents, Treasurer, and Corporate Secretary. The said provision likewise states that “[t]he Board may, from time to time, appoint such other officers as it may determine as necessary or proper.”</p> <p>https://smcslex.com.ph/files/reports/SMC SLEX Inc. Certificate of Filing of Amended By-Laws (formerly SLTC) .pdf</p> <p>Under Section 2.2.1.2 of the Manual, the Board shall “[a]ppoint competent, professional, honest and highly- motivated Management Officers and adopt an effective succession planning program for Management and key Officers to ensure growth and a continued increase in the shareholders’ value, including a policy on the retirement age for Directors and key Officers, and to promote dynamism in the Corporation.”</p>	
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			<p>Pursuant to the foregoing provisions of the By-laws and the Manual, the Board appointed the following key officers, among others:</p> <ul style="list-style-type: none"> a) the Chairman, President and Chief Executive Officer, Mr. Ramon S. Ang; b) the Treasurer and Chief Finance Officer, Mr. Raoul Eduardo C. Romulo; and c) the Corporate Secretary and Compliance Officer, Atty. Jose C. Laureta. d) the Chief Audit Executive, Mr. Jacinto P. Dela Cruz, Jr. <p>https://smcslex.com.ph/files/disclosures/17C/SMC_SLEX_Inc._SEC_Form_17-C_11May2023_.pdf</p> <p>https://smcslex.com.ph/files/disclosures/17C/SLEX_SEC_Form_17C.pdf</p>	
2	<p>The Board is primarily responsible for assessing the performance of Management, led by the CEO or his/her equivalent and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive, as may be applicable).</p>	<p style="text-align: center;">NON-COMPLIANT</p>		<p>Pursuant to Section 2.2.2.1.2 [<i>Duties and responsibilities</i>] of the Manual and Section 4(b) of the Corporate Governance Committee Charter, the Corporate Governance Committee performs the function of overseeing the periodic performance evaluation of the Board and its Committees as well as executive management.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC_Corporate_Governance_Committee_Charter.pdf</p> <p>The President likewise periodically assesses the control functions led by their respective heads.</p>
<p>Recommendation 2.8</p>				

1	The Board establishes an effective performance evaluation framework that includes a standard or criteria for assessment and ensures that Management's performance is on par with the standards set by the Board and Senior Management.	COMPLIANT	Under Section 2.2.1.3.1 [Internal Control System] of the Manual, the Board shall have oversight responsibilities for ensuring the establishment of an effective performance management framework that will ensure that the Management, including the Chief Executive Officer, and personnel's performance is at par with the standards set by the Board and Senior Management.	
2	The Board establishes an effective performance evaluation framework that includes a standard or criteria for assessment and ensures that personnel's performance is on par with the standards set by the Board and Senior Management.	COMPLIANT	https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf Moreover, the Company believes that good performance must be appropriately rewarded. There is a tight link between the Company's Performance Management System and its rewards systems. This principle supports the value of teamwork since employees are measured not only in their individual performance but also in the performance of their team, encouraging them to have an active concern for those in the team.	
Recommendation 2.9				
1	The Board ensures that an appropriate internal control system is in place.	COMPLIANT	The oversight responsibilities of the Board for ensuring the presence of appropriate, adequate, strong and effective internal control mechanisms are set out in Section 2.2.1.3.1 of the Manual.	
2	The internal control system includes a mechanism for monitoring and managing potential/actual conflicts of interest of the board members/trustees, management and shareholders/members.	COMPLIANT	https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf Pursuant to the Charter of Internal Audit, the function of the Internal Audit Group encompasses the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Company's stated goals and objectives. https://smcslex.com.ph/files/disclosures/Other/SLTC- Internal Audit Charter.pdf	

3	The Board adopts an Internal Audit Charter.	COMPLIANT	<p>The Internal Audit Charter of the Company was approved by the Board on 27 November 2020. The said Charter may be downloaded from the website of the Company at:</p> <p>https://smcslex.com.ph/files/disclosures/Other/SL-TC- Internal Audit Charter.pdf</p>	
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Recommendation 2.10

1	The Board ensures that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	COMPLIANT	<p>Pursuant to Section 2.2.1.3.2 [Enterprise Risk Management] of the Manual, the Board shall oversee that a sound enterprise risk management (“ERM”) framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.</p>	
2	The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	COMPLIANT	<p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p> <p>The Company’s existing risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.</p> <p>A discussion of the major business risks faced by the Company and its businesses is found on pages 11 to 16 of the SEC Form 17-A.</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX Disclosure Sec Form 17-A - SLEX.pdf</p>	

Recommendation 2.11

1	The Board has a Board Charter that formalizes and clearly states its roles, responsibilities and	NON-COMPLIANT		Instead of a board charter, the roles, responsibilities and accountabilities of the Board in carrying out its fiduciary role are contained in Article III of the By-laws
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	accountabilities in carrying out its fiduciary duties.			https://smcslex.com.ph/files/reports/SM C SLEX Inc. Certificate of Filing of Amended By-Laws (formerly SLTC) .pdf
2	The Board Charter serves as a guide to the directors/trustees in the performance of their functions.	NON-COMPLIANT		and the Manual of the Company.
3	The Board Charter is publicly available.	NON-COMPLIANT		https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf The purpose of the Board Charter is accomplished through the observance by the Board of the principles and policies embodied in the Company's Articles and By-Laws and the Manual of Corporate Governance of the Company, which provisions are sufficient and achieves the objectives of having a Charter for this purpose.

Principle 3. ESTABLISHING BOARD COMMITTEES

The 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, compliance and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all the board committees should be contained in their respective board committee charters.

Recommendation 3.1

1	The Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	COMPLIANT	Principle 3 and Recommendation 3.1 are embodied in Section 2.2.2 [Board Committees] of the Manual, which specifies the Committees established by the Board and the composition and duties and responsibilities of each of the Committees. https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf The Committees and their respective members are likewise published on the website of the Company at:	
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<https://smcslex.com.ph/article/board-committees>

Recommendation 3.2

1	The 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	<p>Section 2.2.2.2 of the Manual [Audit and Risk Oversight Committee]</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p> <p>and Sections 2 and 4 of the Audit and Risk Oversight Committee Charter</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC Audit and Risk Oversight Committee Charter.pdf</p> <p>set out the composition and duties and responsibilities of the Audit and Risk Oversight Committee.</p> <p>Pursuant to Section 2.2.2.2.2 of the Manual and Section 4(d) of the Audit and Risk Oversight Committee Charter, the appointment, reappointment, and removal of the external auditor shall be recommended by the Committee and approved by the Board and ratified by the shareholders.</p>	
2	The Audit Committee is composed of at least three (3) qualified non-executive directors, the majority of whom, including the Chairperson, are independent directors.	COMPLIANT	<p>The Chairman of the Audit and Risk Oversight Committee is Atty. Consuelo Ynares-Santiago, who is an independent director. Out of the 5 members of the Audit and Risk Oversight Committee, two (2) are independent directors.</p> <p>The members of the Audit and Risk Oversight Committee, including their position and type of directorship, are published on the website of the Company at:</p> <p>https://smcslex.com.ph/article/board-committees</p>	

			<p>The respective qualifications of the members are set out in pages 8 to 10 of the Definitive Information Statement</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc.-SEC_Form_20-IS_Definitive_ASM_.pdf</p> <p>and Part III, Item 9 of the SEC Form 17-A.</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX_Disclosure_Sec_Form_17-A_-_SLEX.pdf</p>	
3	All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	COMPLIANT	<p>Section 2.2.2.2 of the Manual [Audit and Risk Oversight Committee] provides that “[t]he members of the Committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance and at least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.”</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p> <p>The respective qualifications of the members are set out in 8 to 10 of the Definitive Information Statement</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc.-SEC_Form_20-IS_Definitive_ASM_.pdf</p> <p>and Part III, Item 9 of the SEC Form 17- A.</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX_Disclosure_Sec_Form_17-A_-_SLEX.pdf</p>	
4	The Chairperson of the Audit Committee is not the Chairperson of the Board or of any other committee.	COMPLIANT	<p>The Chairman of the Audit and Risk Oversight Committee is Atty. Consuelo Ynares-Santiago. Atty. Ynares-Santiago is not the Chairman of the Board or of any other Committee. Her</p>	

			<p>qualifications are set out in page 9 of the Definitive Information Statement</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc.-SEC_Form_20-IS_Definitive_ASM_.pdf</p> <p>and page 42 of the SEC Form 17-A.</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX_Disclosure_Sec_Form_17-A_-_SLEX.pdf</p>	
Recommendation 3.3				
1	<p>The Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p>	COMPLIANT	<p>Section 2.2.2.1 [Corporate Governance Committee] of the Manual</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p> <p>and Sections 2 and 4 of the Corporate Governance Committee Charter</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC_Corporate_Governance_Committee_Charter.pdf</p> <p>set out the composition and duties and responsibilities of the Corporate Governance Committee.</p> <p>Pursuant to Section 2.2.2.1.2 [Duties and Responsibilities] of the Manual and Section 4(g) of the Corporate Governance Committee Charter, the Committee shall “[d]etermine the nomination and election process for the Corporation’s Directors and define the general profile of Board members that the Corporation may need and ensure appropriate knowledge, competencies and expertise that complement the existing skills of the Board.”</p>	

			The undersigned Corporate Secretary hereby attests that the nomination and election process for, and the qualifications of, the nominees for directors were discussed during the meetings of the (Corporate Governance Committee held on March 30, 2022.	
2	The Corporate Governance Committee is composed of at least three (3) members, majority of whom, including the Chairperson, should be independent directors.	COMPLIANT	<p>The Corporate Governance Committee is composed of at least three members, two of which are independent directors.</p> <p>The members of the Corporate Governance Committee, including their position and type of directorship, are published on the website of the Company at:</p> <p>https://smcslex.com.ph/article/board-committees</p> <p>The respective qualifications of the members are set out in pages 8 to 10 of the Definitive Information Statement</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SM C SLEX Inc. SEC Form 20-IS Definitive 20April2022 SECreceived .pdf</p> <p>and Part III, Item 9 of the SEC Form 17-A</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SM C SLEX Inc.- SEC Form 20-IS Definitive ASM .pdf</p>	
Recommendation 3.4				
1	The 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>Pursuant to 2.2.2.2.1 of the Manual</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p> <p>and Section 1 of the Audit and Risk Oversight Committee Charter,</p>	

			<p>https://smcslex.com.ph/files/disclosures/Other/SLTC Audit and Risk Oversight Committee Charter.pdf</p> <p>the Audit and Risk Oversight Committee performs oversight function over the Company's Enterprise Risk Management system.</p> <p>Further, Sections 4(r) and (s) of the said Charter states that the Committee shall:</p> <ul style="list-style-type: none"> ○ Develop a formal ERM plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures; and ○ Oversee the implementation of the ERM plan, conduct regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports, and assess how the concerned units or offices are addressing and managing these risks. 	
2	The BROC is composed of at least three (3) members, the majority of whom should be independent directors, including the Chairperson.	COMPLIANT	<p>The members of the Audit and Risk Oversight Committee, including their position and type of directorship, are published on the website of the Company at:</p> <p>https://smcslex.com.ph/article/board-committees</p> <p>The respective qualifications of the members are set out in pages 8 to 10 of the Definitive Information Statement:</p>	

			https://smcslex.com.ph/files/disclosures/20IS/SM C SLEX Inc.- SEC Form 20-IS Definitive ASM .pdf	
3	At least one member of the BROCC has relevant thorough knowledge and experience on risk and risk management.	COMPLIANT	<p>Section 2.2.2.2 [Audit and Risk Oversight Committee] of the Manual provides that “[t]he members of the Committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance and at least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.”</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p> <p>The respective qualifications of the members are set out in pages 8 to 10 of the Definitive Information Statement.</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SM C SLEX Inc.- SEC Form 20-IS Definitive ASM .pdf</p> <p>and Part III, Item 9 of the SEC Form 17- A.</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX Disclosure Sec Form 17-A - SLEX.pdf</p>	
Recommendation 3.5				
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.	COMPLIANT	<p>Each of the Audit and Risk Oversight Committee Charter, Corporate Governance Committee Charter, and RPT Committee Charter (collectively, the “Committee Charters”) was adopted by the Board on 27 November 2020.</p> <p>Each of the Committee Charters set forth the respective purposes, membership and qualifications, structure and operations, access to resources, duties and responsibilities, reporting process, and performance evaluation of the committees</p>	
2	The Committee Charters provide standards for evaluating the performance of a committee and its members.	COMPLIANT		

Principle 4. FOSTERING COMMITMENT

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/members in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	COMPLIANT	Principle 4 is embodied in Section 2.2.1.1 [General Responsibility] of the Manual. On the other hand, Section 2.2.1.7 [Board Meetings and Quorum Requirements] thereof states that "Directors should attend and actively participate in all meetings of the Board, Committees, and shareholders in person or through tele-/video- conferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so."	
2	The Directors review meeting materials for all Board and Committee meetings.	COMPLIANT	https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf The undersigned Corporate Secretary hereby attests that the directors review the relevant materials for all Board and Committee meetings.	
3	The Directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	COMPLIANT	Section 2.2.1.7 [Board Meetings and Quorum Requirements] of the Manual provides that in Board and Committee meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations. https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf The Corporate Secretary hereby attests that the directors of the Company were given opportunities to ask questions and seek clarifications and explanations in the course of the discussions	

			during the Board and Committee meetings held on 2022.	
Recommendation 4.2				
1	Non-executive directors concurrently serve in not more than ten (10) public companies and/or registered issuers. If concurrently sitting in at least three (3) publicly listed companies, the maximum concurrent directorships shall be five (5) public companies and/or registered issuers.	COMPLIANT	<p>Section 2.2.1.9 [Policy on Multiple Board Seats] of the Manual provides that “[t]he non-executive directors of the Board should concurrently serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management’s proposals/views, and oversee the long-term strategy of the Corporation.”</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p> <p>The directorships of the Company’s directors in other reporting companies are set out in pages 7 to 10 of the Definitive Information Statement</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SM C SLEX Inc.- SEC Form 20-IS Definitive ASM .pdf</p> <p>and Part III, Item 9 of SEC Form 17-A.</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX Disclosure Sec Form 17-A - SLEX.pdf</p>	
Recommendation 4.3				
1	The Directors notify the company’s board before accepting a directorship in another company.	COMPLIANT	<p>Under Section 2.2.1.9 [<i>Policy on Multiple Board Seats</i>] of the Manual, a director should notify the Board where he is an incumbent director before accepting a directorship in another company.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p> <p>The Corporate Secretary hereby attests that the directors have, where applicable, notified the</p>	

			Board before accepting a directorship in other companies.	
Principle 5. REINFORCING BOARD INDEPENDENCE				
The Board should endeavor to exercise an objective and independent judgment on all corporate affairs.				
Recommendation 5.1				
1	The Board is composed of a majority of non-executive directors who possess the necessary qualifications.	COMPLIANT	Recommendation 5.1 is embodied in the last paragraph of Section 2.2.1 [<i>Board of Directors</i>] of the Manual. https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf	
Recommendation 5.2				
1	The Board has at least two (2) independent directors or such number as to constitute one-third (1/3) of the board, whichever is higher.	NON-COMPLIANT		Principle 5 and Recommendation 5.1 are embodied in Section 2.2.1.6 of the Manual, except that the Manual provides that the number of independent directors shall constitute at least 20% of the members of the Board in accordance with the prevailing SEC rules during the time. https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf Two (2) out of the eleven (11) directors of the Company are independent directors. https://smcslex.com.ph/files/disclosures/GIS/PDEX Disclosure 2023 GIS - SLEX.pdf The Company intends to gradually implement the provisions of the Manual in respect of the composition and increased roles/responsibilities of the Independent Directors.

Recommendation 5.3				
1	The independent directors possess all the qualifications and none of the disqualifications to hold the position.	COMPLIANT	<p>The qualifications of an independent director are set out in Section 2.2.1.6.1 of the Manual.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p> <p>The academic qualifications and professional experience of the independent directors of the Company are set forth on pages 9 of the Definitive Information Statement.</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc.-_SEC_Form_20-IS_Definitive_ASM_.pdf</p> <p>and page 42 of the SEC Form 17-A.</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEX_Disclosure_Sec_Form_17-A_-_SLEX.pdf</p>	
Recommendation 5.4				
1	The company perpetually bars an independent director from serving in such capacity after the term limit of nine (9) years.	COMPLIANT	<p>Section 2.2.1.6.2 of the Manual provides that “[u]pon reaching this limit [of nine (9) years], an Independent Director should be perpetually barred from re-election as such in the Corporation, but may continue to qualify for nomination and election as a non-independent director. In the instance that the Corporation needs to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justifications and seek shareholders’ approval during the annual shareholders’ meeting.”</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p>	

2	In the instance that the company retains an independent director in the same capacity after nine (9) years, the Board provides meritorious justification and seeks shareholders'/members' approval during the annual regular meeting.	COMPLIANT	None of the Company's independent directors have served in such capacity for more than nine (9) years (reckoned from 2015 and 2021).	
Recommendation 5.5				
1	The positions of Chairperson of the Board and Chief Executive Officer (or its equivalent) are held by separate individuals.	NON-COMPLIANT		The Chairman and Chief Executive Officer of the Company is Mr. Ramon S. Ang since 2012 and 2020 respectively The day-to-day functions of the Chief Executive Officer are performed by the President.
2	The Chairperson of the Board and Chief Executive Officer (or its equivalent) have clearly defined responsibilities.	COMPLIANT	Article V, Section 2 and 3 of the By-laws https://smcslex.com.ph/files/reports/SMC_SLEX_Inc. Certificate of Filing of Amended By-Laws (formerly SLTC) .pdf and Section 2.2.3 [<i>The Chair, the Chief Executive Officer and the Lead Independent Director</i>] of the Manual https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf	
Recommendation 5.6				
1	The Board designates a lead director among the independent directors if the Chairperson of the Board is not an independent director.	NON-COMPLIANT		The roles and responsibilities of the lead independent director are set out in Section 2.2.3 [<i>The Chair, the Chief Executive Officer and the Lead Independent Director</i>] of the Manual. https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf The Company intends to gradually implement the provisions of the Manual in respect of the composition and

				increased roles/responsibilities of the Independent Directors.
Recommendation 5.7				
1	The Directors/Trustees with material interest in a transaction affecting the corporation fully disclose his/her adverse interest, abstain from taking part in the deliberations for the same, and recuse from voting on the approval of transaction.	COMPLIANT	This is not applicable as there has been no situation where a director has had a material interest in transactions affecting the Company, such that the director has had to abstain from taking part in the deliberations for the same during the Board meetings.	
Recommendation 5.8				
1	The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance, and risk functions, without any executive directors present.	COMPLIANT	Pursuant to Section 2.2.1.7 [<i>Board Meetings and Quorum Requirements</i>] of the Manual, the non-executive directors are empowered to have separate periodic meetings with the External Auditor and heads of the internal audit, compliance and risk functions, without any executive directors present and such meetings should be chaired by the Lead Independent Director. https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf Periodic meetings with the external auditor and the internal audit head are held by the Audit and Risk Oversight Committee which is exclusively composed of non-executive directors.	
2	The meetings are chaired by the lead independent director, if applicable.	NON-COMPLIANT		The meetings are chaired by an independent director. The lead independent director is yet to be designated. Please see explanation under Recommendation 5.6 above.

Principle 6. ASSESSING BOARD PERFORMANCE

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	The Board conducts an annual self-assessment of its performance as a whole.	COMPLIANT	Principle 6 is embodied in Section 6 [<i>Training and Assessment</i>] of the Manual.	
2	The Chairperson conducts an annual self-assessment of his performance.	NON-COMPLIANT	https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf	The self-assessment of the Chairman is subsumed in his self-assessment as a member of the Board.
3	The individual members conduct a self-assessment of their performance.	COMPLIANT	Pursuant to this, the Board of Directors approved the Self-Assessment Forms to be used for self-assessment for the Board and Committees during the Regular Meeting held on 12 November 2021 as found in item 9.e. in the Current Report filed on the same date.	
4	Each committee conducts a self-assessment of its performance.	COMPLIANT	<p>https://smcslex.com.ph/files/disclosures/17C/SMC_Slex_17-C_(filed_11.12_.21)_pdf</p> <p>The undersigned Compliance Officer hereby attests that self-assessments were conducted for the Board and individual members, and the Audit Committee through the annual submission of a self-rating form.</p> <p>The results of the assessment for the year 2022 were deliberated during the Regular Meeting held on 16 March 2023.</p> <p>https://smcslex.com.ph/files/disclosures/17C/PDEx_Disclosure_Sec_Form_17-C_-_SLEX.pdf</p>	

Recommendation 6.2

1	The Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors/trustees and committees.	COMPLIANT	<p>The process of self-assessment of the Board, its Committees and individual directors are set out in Annex "B" hereof.</p> <p>Shareholders may send their feedback to the Company through the Investor Relations Officer,</p>	
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2	The system allows for a feedback mechanism from the shareholders/members.	COMPLIANT	Ms. Reynabeth D. De Guzman, whose contact information is published on the website of the Company.	
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Principle 7. STRENGTHENING BOARD ETHICS

The Board directors are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.

Recommendation 7.1

1	The Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of board members.	COMPLIANT	<p>Principle 7 and Recommendation 7.1 are embodied in Sections 2.2.1.1 [<i>General Responsibility</i>] and 2.2.1.2 [<i>Specific Duties and Functions</i>] of the Manual, respectively.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p> <p>The Company also has its Code of Business Conduct and Ethics which sets out the Company's policies with respect to conduct of business and fair dealings, prohibition against granting of undue personal favors, respect for trade secrets and confidential information, use of Company funds and assets, among others.</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC Code of Ethics and Business Conduct.pdf</p> <p>It also has a Personal Data Privacy Policy that describes how the company collects, protects and manages information from its personnel, information systems and processes</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC Personal Data Privacy Policy Final 11-13-17.pdf</p> <p>Moreover, the Company, a subsidiary of San Miguel Corporation, aligns its company policies and proper business conduct with that of its parent company, as follows:</p>	
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			<ul style="list-style-type: none"> (i) Whistle-blowing Policy (ii) Conflict of Interest Policy (iii) Policy on Dealings in Securities (iv) Related Party Transactions Policy and Material Related Party Transactions Policy (v) Policy and Data Relating to Health, Safety and Welfare of Employees, including Training <p>The foregoing policies may be viewed at: https://smcslex.com.ph/page/companys-policies</p>	
2	The Code is properly disseminated to the members of Board.	COMPLIANT	The undersigned Compliance Officer hereby attests that the Code of Business Conduct and Ethics was properly disseminated to all directors, senior management and employees. All employees of the Company are provided a copy of the Employee Handbook and are required to acknowledge receipt of the same. The acknowledgement states that the employee understood its contents and commits themselves to comply with the items contained therein, the core purpose and values sought to be achieved and the policies governing the Company's activities.	
3	The Code is disclosed and made available to the public through the company website.	COMPLIANT	The Code of Business Conduct and Ethics and Conduct is available on the Company's website at: https://smcslex.com.ph/files/disclosures/Other/SL-TC Code of Ethics and Business Conduct.pdf	
Recommendation 7.2				
1	The Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	COMPLIANT	The undersigned Compliance Officer hereby attests that all employees of the Company are provided a copy of the SMC SLEX Inc. Employee Handbook and are required to acknowledge receipt of the same. The acknowledgement states that the employee understood its contents and commits themselves to comply with the items contained therein, the core purpose and values	

sought to be achieved and the policies governing the Company's activities.

As stated in the Employee Handbook of the Company, the Company believes that the highest form of discipline is self-discipline. Discipline is not merely a restraint on one's behavior but a total conditioning of oneself for the highest achievable levels of performance. The Company aims to create an environment wherein excellent performance and exemplary behavior are the preoccupation of all its employees. Each employee is expected to actively live the Company values. Consistent with the values of the Company, the Company believes in discipline as an exercise in reform rather than punishment. Employees who violate policies, rules and regulations will be given the opportunity to be heard and given due process. Corrective actions are designed to provide the employee maximum opportunity to reform and desist from further violation. However, the Company acknowledges rules may need to be enforced with authority. Thus, the Company stipulates that employees violating principles, rules and regulations are given disciplinary actions in progressively increasing severity. This excludes grave offenses for which an employee may be discharged immediately following a lawful investigation.

Discipline is guided by the following principles and policies:

- Rules must be clearly documented and communicated to all affected
- Rules should clearly state the standards of personal behavior and conduct as well as define the acts as forms of behavior prohibited and punishable.
- Corresponding penalties for each violation shall also be spelled out and defined.

			<ul style="list-style-type: none"> • Investigations and proceedings shall be expeditious, transparent, and consistent with requirements of law. Disciplinary action shall be imposed immediately upon judgment. • Discipline must be imposed consistently. 	
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DISCLOSURE AND TRANSPARENCY

Principle 8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

The Board should establish corporate disclosure policies and procedures that are practical and in accordance with generally accepted best practices and regulatory expectations.

Recommendation 8.1

1	The Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders/members and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.	COMPLIANT	<p>Principle 8 is embodied in Section 4 [<i>Disclosure and Transparency Of Corporation's Corporate Governance Policies</i>] of the Manual.</p> <p>All reports and material information disclosures of the Company made to the regulators and the public are available on the website of the Company at:</p> <p>https://smcslex.com.ph/disclosures</p>	
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Recommendation 8.2

1	The company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within five (5) business days.	COMPLIANT	<p>Section 4.4 of the Manual provides that all directors and officers shall disclose to the Company any dealings in the Company's shares within three (3) business days.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p>	
2	The company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within five (5) business days.	COMPLIANT		

Recommendation 8.3

1	The company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	COMPLIANT	<p>The Manual, which was submitted to the SEC on 5 August 2020, may be downloaded at:</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p>	
2	The company's MCG is submitted to the SEC.	COMPLIANT		

3	The company's MCG is posted on the company website.	COMPLIANT		
Recommendation 8.4				
1	The company's corporate governance policies and practices and all relevant information are disclosed in its Annual Corporate Governance Report (ACGR).	COMPLIANT	The 2022 ACGR, submitted on – 29 June 2023, pursuant to SEC Memorandum Circular No. 19, Series of 2020, may be downloaded at: https://smcslex.com.ph/page/annual-corporate-governance-report	
2	The company's ACGR is submitted to the SEC.	COMPLIANT		
3	The company's ACGR is posted on the company website.	COMPLIANT		
Principle 9. STRENGTHENING EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY				
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	The Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of external auditors.	COMPLIANT	Principle 9 is embodied in Section 2.2.5 [<i>External Auditor</i>] of the Manual. Pursuant to Sections 4(d) and (g) of the Audit and Risk Oversight Committee Charter, https://smcslex.com.ph/files/disclosures/Other/SL_TC_Audit_and_Risk_Oversight_Committee_Charter.pdf the appointment, reappointment, and removal of the External Auditor shall be recommended by the Committee and approved by Board and ratified by the shareholders. The Committee also evaluates and determines any non-audit work performed by the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses.	

2	The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and the shareholders/members.	COMPLIANT	The undersigned Corporate Secretary attests that the stockholders representing 100% of the total outstanding common stock of the Company approved the appointment of the auditing firm of Reyes Tacandong & Co. as the External Auditor of the Company for the year 2022.	
3	For the removal of external auditor, the reasons for such removal or change are disclosed to the SEC, the shareholders/members, and the public through the company website and required disclosures.	COMPLIANT	This is not applicable because the Company has not removed nor changed its External Auditor in the preceding year.	
Recommendation 9.2				
1	The Audit Committee Charter includes the Audit Committee's responsibility on: 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.	COMPLIANT	Please refer to Section 4(e) of the Audit and Risk Oversight Committee Charter. https://smcslex.com.ph/files/disclosures/Other/SL_TC_Audit_and_Risk_Oversight_Committee_Charter.pdf	
2	The Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	COMPLIANT		
Recommendation 9.3				
1	The company discloses the nature of non-audit services performed by its external auditor in the Annual Report to manage potential conflict of interest cases.	COMPLIANT	Page 16 of the Definitive Information Statement, discloses the amount of fees paid by the Company to the External Auditor, which include compensation for audit services and other related services such as audit review and research work.	

			<p>There were no fees paid to the external auditor for tax accounting, compliance, advice, planning and any other form of tax services. There were no other fees paid to the auditors other than the above-described services.</p> <p>https://smcslex.com.ph/files/disclosures/20IS/SM C SLEX Inc.- SEC Form 20-IS Definitive ASM .pdf</p>	
2	The 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	<p>Section 4(g) of the Audit and Risk Oversight Committee Charter states that the Committee shall: "evaluate and determine any non-audit work performed by the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report. The Committee shall be 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 and independence."</p> <p>https://smcslex.com.ph/files/disclosures/Other/SL TC Audit and Risk Oversight Committee Charter.pdf</p>	

Principle 10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING

The Board should ensure that the company discloses material and reportable non-financial and sustainability issues.

Recommendation 10.1

1	The Board has a clear and focused strategy on the disclosure of non-financial information.	COMPLIANT	<p>Section 4.9 of the Manual states that: "The Corporation should ensure that the material and reportable non-financial and sustainability issues are disclosed. The Board should have a clear and</p>	
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			<p>focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance issues of its business, which underpin sustainability. The Corporation shall endeavor to adopt a globally recognized standard or framework in reporting sustainability and non-financial issues.</p> <p>Other information that shall always be disclosed includes corporate strategy and off balance sheet transactions.”</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporateGovernance2020.pdf</p>	
2	The company discloses to all shareholders/members and other stakeholders the company’s strategic and operational objectives with emphasis on the management of environmental, economic, social and governance (EESG) issues of its business which underpin sustainability.	COMPLIANT	<p>In compliance with SEC Memorandum Circular No. 24, Series of 2019, in relation to SEC Memorandum Circular No. 4, Series of 2019, the Company submitted a Sustainability Report to the Commission disclosing therein the Company’s non-financial performance across economic, environmental and social aspects of the Company. The Sustainability Report, together with the SEC Form 17-A was filed on 14 April 2023. The full text of the Sustainability Report can be accessed at the website of the Company:</p> <p>https://smcslex.com.ph/files/disclosures/17A/PDEXDisclosureSecForm17-A-SLEX.pdf</p>	
Principle 11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION				
The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for an informed decision-making by investors, stakeholders and other interested users.				
Recommendation 11.1				
1	The company has a website to ensure a comprehensive, cost-efficient, transparent and timely manner of disseminating relevant information to the public.	COMPLIANT	https://smcslex.com.ph	

INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORKS

Principle 12. STRENGTHENING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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 system.

Recommendation 12.1

1	<p>The company has an adequate and effective internal control system in the conduct of its business.</p>	<p>COMPLIANT</p>	<p>Principle 12 and Recommendation 12.1 are embodied in Section 2.2.1.3 [<i>Internal Controls and Enterprise Risk Management</i>] of the Manual.</p> <p>The Charter of Internal Audit states that: “SLTC Audit will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity’s conformance with the Definition of Internal Auditing and the <i>Standards</i> and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.</p> <p>The CAE will communicate to Senior Management and the Audit and Risk Oversight Committee on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments, and external assessments conducted at least every five years.”</p> <p>The Internal Audit Charter also provides that the Chief Audit Executive will submit to Senior Management and the Audit Committee, which Committee shall endorse to the Board an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next year.</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC- Internal Audit Charter.pdf</p>
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2	The company has an adequate and effective enterprise risk management framework in the conduct of its business.	COMPLIANT		
Recommendation 12.2				
1	The company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	COMPLIANT	San Miguel Group Audit is an in-house function providing independent and objective assurance and consulting services.	
CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS/MEMBERS				
Principle 13. PROMOTING SHAREHOLDER/MEMBER RIGHTS				
The company should treat all shareholders/members fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.				
Recommendation 13.1				
1	The Board ensures that basic shareholder/member rights are disclosed in the Manual on Corporate Governance.	COMPLIANT	Section 5 [<i>Shareholders and other Stakeholders</i>] of the Manual discusses the right of the shareholders of the Company. https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf	
Recommendation 13.2				
1	The Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders'/Members' Meeting with sufficient and relevant information at least twenty-one (21) days before the meeting.	COMPLIANT	The Company complies with Section 49 of the Revised Corporation Code which provides that "regular meetings of stockholders or members shall be held annually on a date fixed in the bylaws, or if not so fixed, on any date after April 15 of every year as determined by the board of directors or trustees: Provided, that written notice of regular meetings shall be sent to all stockholders or members of record at least twenty-one (21) days prior to the meeting. In 2022, Notices to the 2022 Annual Stockholders' Meeting were sent to the stockholders on 20 April 2022, 21 days prior to the ASM. The Agenda was included in the Company's Definitive Information Statement.	

			https://smcslex.com.ph/files/disclosures/20IS/SMC_SLEX_Inc._SEC_Form_20-IS_Definitive_20April2022_SECreceived_.pdf	
Recommendation 13.3				
1	The Board encourages active shareholder/member participation by making the result of the votes taken during the most recent Annual or Special Shareholders'/Members' Meeting publicly available the next working day.	COMPLIANT	The results of the vote taken during the 2022 Annual Stockholders' Meeting of the Company was disclosed on 13 May 2022. https://smcslex.com.ph/files/disclosures/17C/SLEX_SEC_Form_17-C_13_May_2022.pdf	
2	The minutes of the Annual and Special Shareholders'/Members' Meetings were made available on the company website within five (5) business days from the date of the meeting.	COMPLIANT	The draft Minutes of the 2022 Annual Stockholders' Meeting of the Company was disclosed by the Company on the same day or on 12 May 2022. https://smcslex.com.ph/files/disclosures/Minutes/Minutes_-_SMC_SLEX_ASM_12May2022_(draft_for_approval).pdf The voting results for the 2022 Annual Stockholders' Meeting are as follows: 1. The Minutes of the Annual Stockholders' Meeting held on 13 May 2021 In favor: 100% Against: 0.00% Abstain: 0.00% 2. The approval of the Audited Financial Statements for the year ended 31 December 2021	

			<p>In favor: 100% Against: 0.00% Abstain: 0.00%</p> <p>3. The directors of the Company were elected by a vote representing 100% of the total outstanding capital stock of the Company.</p> <p>4. Appointment of Reyes Tacandong & Co. as the external auditor of the Company</p> <p>In favor: 100% Against: 0.00% Abstain: 0.00%</p> <p>5. Ratification of all acts of the Board of Directors and Officers since the 2021 Annual Stockholders' Meeting</p> <p>In favor: 100% Against: 0.00% Abstain: 0.00%</p> <p>The undersigned Corporate Secretary hereby attests that voting on the resolutions was done by poll.</p> <p>During the meeting, the stockholders were given an opportunity to ask questions, but none were asked.</p>	
Recommendation 13.4				
1	The Board makes available, at the option of a shareholder/member, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	COMPLIANT	<p>Section 5.1.8 [<i>Alternative Dispute Resolution for Intra-Corporate Disputes</i>] of the Manual states:</p> <p>“The Office of the Corporate Secretary addresses concerns of stockholders and potential disputes between the Corporation and stockholders.”</p>	

			https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf	
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Recommendation 13.5

1	The Board establishes an Investor Relations Office (IRO) or Customer Relations Office (CRO) or its equivalent to ensure constant engagement with its shareholders/members.	COMPLIANT	Ms. Reynabeth D. De Guzman is the Investor Relations Officer of the Company. Her contact information are as found in the Company's website.	
2	The IRO or CRO or its equivalent is present at every shareholders'/members' meeting.	COMPLIANT		

DUTIES TO STAKEHOLDERS

Principle 14. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS

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	The Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	COMPLIANT	<p>Principle 14 and Recommendation 14.1 are embodied in Section 5.2 [<i>Duties to Stakeholders</i>] of the Manual.</p> <p>Section 5.2.1 of the Manual states that "Stakeholders in corporate governance include, but are not limited to, customers, employees, suppliers, shareholders, investors, creditors, the community the Corporation operates in, society, the government, regulators, competitors, external auditors, among others."</p> <p>Sections 5.2.2 to 5.2.9 of the Manual further discusses the Company's policies for its stakeholders.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate Governance 2020.pdf</p>	
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Recommendation 14.2

1	The Board establishes clear policies and programs to provide a mechanism on the fair treatment, protection and enforcement of the rights of stakeholders.	COMPLIANT	Sections 5.2.2 to 5.2.9 of the Manual further discusses the Company's policies for its stakeholders.	
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Principle 15. ENCOURAGING EMPLOYEES' PARTICIPATION

A mechanism for employee participation should be developed to create a symbiotic working environment consistent with the realization of the company's objectives and good corporate governance goals.

Recommendation 15.1

1	The 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	<p>The Company has existing policies and programs for employees covering, among others, the following: (a) health, safety and welfare; (b) training and development; and (c) reward/compensation for employees, to encourage employees to perform better and motivate them to take a more dynamic role in the Company.</p> <p>https://smcslex.com.ph/files/disclosures/Other/SLTC Code of Ethics and Business Conduct.pdf</p>	
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Recommendation 15.2

1	The Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics.	COMPLIANT	<p>The undersigned Compliance Officer attests that:</p> <p>(a) The Code of Business Conduct and Ethics mandate that the employee should uphold the corporate interest and not grant undue personal favors, especially in matters of awarding dealership and contracts or in hiring and similar activities. The employee must exercise utmost discretion in accepting personal favors or gifts from individuals or entities seeking or doing business with the Company and refuse any gift that might be considered as bribery in any form.</p> <p>(b) The Company believes that the objective of achieving superior business results is consistent with the commitment to conduct</p>	
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			<p>business in a lawful and responsible manner. All employees are expected and directed to comply with all laws and applicable regulations, and to conduct business in accordance with the highest standards of business ethics. This includes compliance with applicable laws, rules and regulations on bribery and corruption. It is every employee's responsibility to know and to understand legal and policy requirement as they apply the same to their task, and to notify management when they believe a violation of law or a Company policy has been committed.</p> <p>https://smcslex.com.ph/files/disclosures/Other/SL_TC Code of Ethics and Business Conduct.pdf</p>	
2	The Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	COMPLIANT	The undersigned Compliance Officer hereby attests that the Code of Business Conduct and Ethics was properly disseminated to all directors and senior management. All employees of the Company are provided a copy of the SMC SLEX Employee Handbook and are required to acknowledge receipt of the same. The acknowledgement states that the employee understand its contents and commits themselves to comply with the items contained therein, the core purpose and values sought to be achieved and the policies governing the Company's activities.	
Recommendation 15.3				
1	The 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	<p>The Company's whistle-blowing policy follows its parent company, which policy may be viewed at its website at:</p> <p>https://www.sanmiquel.com.ph/storage/smc_files/pdfs/SMCPolicyonWhistleBlowing.pdf</p>	
2	The Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member	NON-COMPLIANT	The said policy aims to protect the whistle-blower from retribution or retaliation.	The Company shall endeavor to formally establish its own framework for whistleblowing to allow employees to have direct access to a member of a

	of the Board or a unit created to handle whistleblowing concerns.			Board or the specific unit to handle whistleblowing concerns.
3	The Board supervises and ensures the enforcement of the whistleblowing framework.	NON-COMPLIANT		As the Company formalizes its whistleblowing policy and framework, specifically with respect to the creation of a specific unit to handle the same, the Board shall endeavor to supervise and ensure the enforcement of the policy through the Audit and Risk Oversight Committee.

Principle 16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The company should be socially responsible in all its dealings with the communities in which 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	The 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	<p>Principle 16 and Recommendation 16.1 are embodied in Sections 5.2.8 and 5.2.9 of the Manual.</p> <p>https://smcslex.com.ph/files/reports/ManualonCorporate_Governance_2020.pdf</p> <p>The Company recognizes that it has a responsibility not just to its employees but also to the communities where its businesses operate. As a socially responsible corporate citizen, the Company believes that it must provide the employees' family and surrounding communities opportunities to develop values of self-reliance.</p>	
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ANNEX "A"

Summary of Corporate Governance Seminars attended by SMC SLEX Corporate Secretary and Compliance Officers, Directors and Officers for the year 2022

Directors/Officers	Seminar	Date	Link to Disclosure
John Paul L Ang	Corporate Governance Training Seminar conducted by SGV & Co.	7 September 2022	https://smcslex.com.ph/files/disclosures/Other/SMC_SL_EX_Inc. - _Corporate Governance Training Compliance 14Oct2022_JPLA .pdf
Jose P. De Jesus Susan Y. Yu	Corporate Governance Training Seminar conducted by SGV & Co.	7 September 2022	https://smcslex.com.ph/files/disclosures/Other/SMC_SL_EX_Inc. - _Corporate Governance Training Compliance 30Sept2022 .pdf
Aurora T. Calderon	Corporate Governance Training Seminar conducted by SGV & Co.	16 September 2022	https://smcslex.com.ph/files/disclosures/Other/SMC_SL_EX_Inc. - _Corporate Governance Training Compliance 17Oct2022_ATC .pdf
Antonette C. Tionko	2022 Annual Corporate Governance Enhancement Session for Directors, Advisory Board Members and Officers	22 September 2022	https://smcslex.com.ph/files/disclosures/Other/SMC_SL_EX - _Corporate Governance Training Compliance 11Oct2022_ACT.pdf
Martin S. Villarama Jr. Raoul Eduardo C. Romulo Virgilio S. De Guzman Carlo Magno C. Caballa Noellie R. Majarucon Jacinto P. Dela Cruz Jr.	Corporate Governance Training Seminar conducted by Risks, Opportunities, Assessments and Management (ROAM), Inc.	14 October 2022	https://smcslex.com.ph/files/disclosures/Other/SLEX_CorpGov_Training.pdf
Ramon S. Ang Lorenzo G. Formoso III Consuelo Ynares- Santiago Jose C. Laureta Shaina Anella B. Ramirez	Corporate Governance Training Seminar conducted by Center for Global Best Practices	11 November 2022	https://smcslex.com.ph/files/disclosures/Other/PDEx_Di sclosure - SLEX CorpGov Training.pdf

ANNEX “B”

PROCESS OF SELF-ASSESSMENT OF THE BOARD OF DIRECTORS AND COMMITTEES AND INDIVIDUAL DIRECTORS

	Process	Criteria
Board of Directors	Annual submission of self-rating form	<ul style="list-style-type: none"> a) Fulfillment of the Board’s key responsibilities; b) Board-Management relationship; c) Effectiveness of Board processes and meetings; and d) Individual performance of Board members
Board Committees	Annual submission of self-rating form for the Audit and Risk Oversight Committee	<ul style="list-style-type: none"> a) Quality of the Company’s internal control systems; b) Effectiveness of the Company’s internal control systems; c) Independence and performance of its internal and external auditors; d) Compliance by the Company with accounting standards, legal and regulatory requirements, including the Company’s disclosure policies and procedures; e) Evaluation of management’s process to assess and manage the Company’s risk issues on accounting, internal accounting controls, auditing or financial reporting matters; f) Risk Management Plan
	Annual submission of self-rating form for the Finance Committee, Corporate Governance Committee, and Related Party Transactions Committee	<ul style="list-style-type: none"> a) Membership and qualification; b) Structure and Operation; c) Duties and responsibilities; d) Reporting Process; e) Performance Evaluation
Individual Directors	Annual submission of self-rating form (a section on individual performance of board members)	<ul style="list-style-type: none"> a) Understanding the mission, values and strategies of the Corporation and awareness of expectations from the individual as a Board member; b) Awareness of the Corporation’s By-Laws and governing principles and policies; c) Consciousness of conflict of interest positions and the duty to disclose any such conflict; d) Attendance at Board and Committee meetings; e) Attendance at meetings on time, prepared and knowledgeable about the issues to be discussed; f) Participation in the Board discussions with independence and objectivity; g) Expression of opinions on matters presented to the Board and support of all Board decisions once they are made even in case of disagreement with the decision; h) Promotion of work and the mission of the Corporation in the community.


SIGNATURES

Pursuant to the requirements of the Securities and Exchange Commission Memorandum Circular No. 13, Series of 2021, this Annual Corporate Governance Report (ACGR) for the year 2022 is signed on behalf of **SMC SLEX INC.** by the undersigned, thereunto duly authorized this 29 JUN 2023 in the City of Mandaluyong, Metro Manila.



RAMON S. ANG

Chairman, President and Chief Executive Officer



CONSUELO YNARES-SANTIAGO
Independent Director



MARTIN S. VILLARAMA, JR.
Independent Director



JOSE C. LAURETA

Corporate Secretary and Compliance Officer

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) SS.

SUBSCRIBED AND SWORN TO, before me this 29 JUN 2023, affiants exhibiting to me their competent evidence of identity, as follows:

<u>NAME</u>	<u>GOVERNMENT ID</u>	<u>DATE ISSUED</u>	<u>PLACE ISSUED</u>
Ramon S. Ang	Passport No. P2247867B	22 May 2019	DFA Manila
Consuelo Ynares-Santiago	Passport No. P6983307A	23 November 2018	DFA Manila
Martin S. Villarama, Jr.	Senior Citizen ID No. 82935	10 January 2008	OSCA Quezon City
Jose C. Laureta	Senior Citizen ID No. 97672	28 November 2008	OSCA Quezon City

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Book No. 3 ;
Series of 2023.




CARLO MAGNO C. CABALLA
Commission No. 0576-22
Notary Public of Mandaluyong City
Until December 31, 2023
19th Floor San Miguel Properties Centre
No. 7 Saint Francis St. Ortigas Center, Mandaluyong City
Roll No. 73331
PTR No. 3126527; 01/11/2023; Mandaluyong City
IBP No.293619; 01/10/2023; Rizal Chapter
MCLE Compliance No. VII-0015366;04/12/2022