

MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS

**ROXAS HOLDINGS, INC.**

*Held via Remote Communication and Electronic Voting in Absentia*

June 4, 2020 at 10:00 o'clock a.m.

**ATTENDANCE**

*(Via Remote Participation or Proxy)*

Total Shares Issued and Outstanding	:	1,547,935, 799
Total Shares Present	:	<b>1,359,180,246</b>
Percentage Present	:	<b>87.81%</b>
* Shares present owned by Majority Shareholders (as a Group)	:	1,357,285,224
* Other shareholders	:	1,895,022

**DIRECTORS PRESENT:**

Mr. PEDRO E. ROXAS

Mr. MANUEL V. PANGILINAN

Mr. HUBERT D. TUBIO

Atty. RAY C. ESPINOSA (via teleconference)

Mr. CHRISTOPHER H. YOUNG (via teleconference)

Atty. ALEX ERLITO S. FIDER (via teleconference)

Mr. OSCAR J. HILADO (Independent Director) (via teleconference)

Ms. ARLYN S. VILLANUEVA (Independent Director) (via teleconference)

Atty. SANTIAGO T. GABIONZA (Independent Director) (via teleconference)

Also Present:

*(in person)*

Atty. Cynthia L. Dela Paz

Mr. Celso T. Dimarucut

Atty. Ma. Hazel L. Rabara-Retardo

Mr. Jaynel Sulangi

Ms. Roulee Jane F. Calayag

Atty. Aimee E. Pedayo

Mr. Aristeo Dela Rea

Ms. Rose Ann Robin

*(via teleconference)*

Mr. Vicente S. Perez

Mr. Arcadio S. Lozada, Jr.

Mr. Pilipino T. Cayetano

Mr. Jose B. Villanueva III

Mr. Julius G. Rugas

Mr. Frederick E. Reyes

Mr. Jose Manuel L. Mapa

Ms. Anna G. Yu

Ms. Daisy Perpetua A. Bo

Ms. Veronica C. Cortez

Mr. Jaypee V. Jimenez  
Ms. Josephine M. Logrono  
Ms. Jennifer Lim

## **I. CALL TO ORDER**

The Chairman, Mr. Pedro E. Roxas (Mr. Roxas), called the meeting to Order while the Assistant Corporate Secretary, Atty. Ma. Hazel Rabara-Retardo (Atty. Retardo), recorded the minutes of the proceedings and facilitated the meeting held through remote communication.

## **II. CERTIFICATION OF QUORUM**

The Corporate Secretary, Atty. Cynthia L. Dela Paz (Atty. Dela Paz), certified that the Notice of Meeting, Agenda and the Information Statement on SEC Form 20-IS were sent to all stockholders in accordance with the By-Laws of the Corporation and the Securities Regulation Code. She then certified that there are present in person or by proxy, stockholders representing approximately eighty-seven (87.00%) of the outstanding capital stock of the Corporation and, therefore, a quorum exists for the valid transaction of any business that may come before the meeting.

## **III. READING AND APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING**

On motion of the Management, the reading of the minutes of the annual meeting of stockholders of the Corporation held on April 30, 2019 was dispensed with and based on the tally of votes cast by the stockholders through electronic voting in absentia, by proxy ballot or by proxy, majority of the total voting shares represented, voted in favor of the approval of the Minutes of the annual meeting of the stockholders held on April 30, 2019.

## **IV. PRESENTATION AND APPROVAL OF THE ANNUAL REPORT**

*The Chairman's Report*

The Chairman, Mr. Pedro E. Roxas, (Mr. Roxas) presented the highlights of the annual report to the stockholders.

*"Dear Fellow Shareholders,*

*Our company, Roxas Holdings, Inc. (RHI), made tough but meaningful decisions in Crop Year 2018 to 2019 while facing multiple challenges from all sides.*

*The decisions, hard as they were, showed how resilient our company is – still standing through a year-long debate on whether to deregulate the centuries-old industry that supports about 700,000 Filipinos across the country.*

*RHI's bioethanol facilities kept going even when the prices of molasses swung to peak levels due to the strong demand for this feedstock.*

*Our Group also lined up resources behind initiatives to boost farm productivity by reaching out to farmers with our tractors and other farm machineries to address the pronounced shortage of farm labor while advancing our advocacy for technological innovations in agriculture.*

*Through all these challenges and more, RHI pressed on even when the odds were high – exemplifying its unique brand of resilience.*

*With the oversupply of sugar in the global markets, the financial challenges of majority of the sugar mills in India, and the prolonged drop in bioethanol prices particularly in the United States, combined with various local industry concerns in the past crop year, RHI is employing a more inclusive approach to sustainability.*

*This strategy entails us to be resilient at all times through a comprehensive evaluation of our potentials, and through agile and fast response to bring solution to any situation: be it at our five plants in Batangas and Negros Occidental, at the sugarcane farms or even at our offices.*

*In line with our continuing commitment to Sustainability, we consciously work at restoring benchmarks in tons cane milled and other industry metrics.*

*We fervently hope that these simple but consistent steps to promote sustainability will go a long way in helping the sugar industry get back to its feet.*

*With the Philippines' low sugar yield at 5.1 tons sugar per hectare compared to Thailand's, which is 22 percent more, local sugar millers and industry representatives need to work doubly hard.*

*Collective actions need to be done to ward off the impact of the four factors that threaten the sugar industry, namely: 1. high cost of production; 2. low yield for sugar, which inevitably results to low farm income; 3. the damaging effects of climate change; and 4. the worrying labor shortage due to an array of employment options through the government's infrastructure program and cash transfer program, as well as the boom in construction.*

*Our Group has blazed the trail to address the threats at the farm. Through farm mechanization, led by RHI Agri-business Development Corporation (RHI ADC), we envision yields per hectare to increase substantially over time. We also actively collaborate with other industry leaders to move our agenda to innovate farming in the Philippines.*

*Meanwhile, RHI and other industry stakeholders thank our lawmakers for supporting last November 2019 our plea to defer the deregulation of our industry. While we are uncertain on what the government's decision on the deferred proposal would be, it is imperative that the industry ensures that Philippine sugar mills become more efficient and that farm mechanization be rolled out extensively.*

*Let us seize the opportunity to turn things around while constantly promoting sustainability.*

*Last January 17, our subsidiary Central Azucarera de la Carlota, Inc. (CACI) marked its 100th year of operations. It is both humbling and encouraging to look back and see how CACI survived 10 decades marked by world war, tough times and challenging situations.*

*CACI's Centennial is a testament that the sugar industry can thrive whatever the situation and that it is crucial to save this industry that brings food to the table of thousands of Filipino families, particularly in the communities near our operations in Negros Occidental and Batangas.*

*Taking inspiration from the resilience of CACI, RHI is committed to make bigger strides in the next crop year.*

*Armed with the resilience and the dedication that everyone has shown through the past year, let us make things happen for RHI in Crop Year 2019 to 2020 – unhindered by obstacles that range from plant concerns, to farm challenges, and to national issues, such as the proposed deregulation of the sugar industry.*

*As we drive sustainability in all aspects of our operations as well as processes and remain resilient, we also actively pursue efforts to protect the environment.*

*The World Economic Forum, in its Global Risk Report, noted that the top global risks for 2020 involve environmental issues, such as extreme weather, climate action failure, natural disasters, biodiversity loss and man-made environmental disorders.*

*We have experienced the impact of climate change in our industry and we saw how much damage it wrought us through the years.*

*Given our experience, we urge and seek everyone's support in protecting the environment one step at a time.*

*We continue to count on you, our dear partners, in helping our subsidiaries in nurturing the environment as our Group continues to produce quality sugar and ethanol.*

*With this, we express our deep gratitude to the dedicated men and women who passionately guide the company in making better and wiser decisions.*

*To our stockholders, your trust in RHI means a lot. We bank on your continuing support as RHI embarks on a new journey.*

*To the members of our Board of Directors and Board of Advisors, thank you for supporting us with your valuable insights and bold leadership.*

*To our Management Team, we appreciate your commitment in supporting the company's operations and for driving initiatives aligned with our vision.*

*To our employees and staff, we are grateful for your hard work that will take us closer to the realization of our vision.*

*To our partners and other stakeholders, thank you for collaborating with us. Let us continue to create more opportunities.*

*We have made it through a tough year with resolve. We learned more lessons and we became even stronger. Let us work together for a new beginning.*

*Thank you."*

### **The PCEO's Report**

Mr. Hubert D. Tubio (Mr. Tubio) started his report by providing the highlights for Fiscal Year 2019.

*"Dear Fellow Shareholders,*

*Retaining one's competitive advantage in the face of mounting challenges is a tall order but for our company, listed integrated sugar and ethanol producer Roxas Holdings, Inc. (RHI), it is what defines the Group.*

*For years, we have seen how the changing global weather conditions and other concomitant circumstances weighed down on the sugar industry, and consequently, on the ethanol industry as well.*

*But those factors did not deter RHI from forging ahead in Crop Year 2018 to 2019 as it faced a different set of issues, foremost of which was the proposed liberalization of the sugar industry.*

*As the debate on the proposal of government economic managers to deregulate the sugar industry dragged on for months, the anticipation over this scenario drove prices of sugar lower than expected.*

*Low sugar prices and a combination of low production volume for refined sugar, higher unit cost, and an increase in the cost of acquiring sugar canes pressed heavily on the Group's sugar unit while the alcohol segment experienced the impact of the high prices of molasses due to insufficient supply of the most in-demand feedstock.*

*But one of the biggest contributing factors to this year's results was the timing of the disapproval by the Philippine Competition Commission of the agreed asset sale transaction on Central Azucarera Don Pedro, Inc. (CADPI). It tremendously disrupted our sugar operating strategies, as well as our financial plans.*

*As a result, the Group also had to contend with higher interest cost as average interest rate rose to 6.82% per annum in 2019 from 4.49% per annum in 2018.*

*Considering all these, the Group reported a net loss of PhP1.9 billion including write-downs from a net income of PhP55 million for the same period in the previous year. RHI recognized non-recurring losses of PhP1.1 billion during the last quarter of the fiscal year due mainly to derecognition of certain deferred tax assets, as required by accounting standards.*

*However, Consolidated Revenues increased to PhP13.3 billion (including revenues from discontinued operations amounting to PhP6.3 billion) attributable to higher sales volume and price of alcohol, as well as milling revenues amounting to PhP1.5 billion recognized following the adoption of the Philippine Financial Reporting Standard (PFRS) 15 regarding "Revenue Recognition".*

*Rest assured that we are continuously seeking ways to reverse the trend as we work with our partners in addressing concerns through sustainable means. We will also continue finding solutions to de-risk our business.*

*In April 2019, when former Philippine President and previous House Speaker Gloria M. Arroyo, who is a staunch proponent of bioethanol, visited our subsidiary, San Carlos Bioenergy, Inc. (SCBI), we sought her intervention in coming up with possible remedies to the challenging supply of molasses in the country.*

*As by-product of sugar milling, molasses supply is affected by sugarcane production.*

*With the endorsement of then House Speaker Arroyo, the Visayas Development Oversight Committee convened to flesh out issues affecting ethanol producers. The Department of Energy and the Sugar Regulatory Administration (SRA) also met with ethanol producers on the*

*matter. The ethanol industry is awaiting the decision of the National Biofuels Board on the plea to allow for the importation of molasses with the ethanol produced from it for re-export.*

*We value the views of our various stakeholders and we constantly reach out in order to find a common ground in support of our vision for sustainable agriculture.*

*RHI coordinated with the SRA to address the pronounced shortage in sugarcane supply in the area covered by the Don Pedro Mill District Development Foundation in Tuy, Batangas, which led to a meeting with 500 stakeholders of the sugar industry in the province last August 8, 2019. The meeting served as venue for farmers and representatives of sugar mills to craft strategies to strengthen the sector.*

*Our organization's openness to tackle boldly the challenges that hamper growth echoes our deep-seated sense of resilience, which spurs us to see the bigger picture in the midst of a difficult period.*

*On this note, I wish to share that RHI upholds 11 of the 17 Sustainable Development Goals under the United Nations Development Program.*

*The Group's programs for sugar, ethanol and agribusiness units are intertwined and synchronized to bring RHI to a higher level at the end of Crop Year 2020.*

*We are setting our sights farther as we collaborate with more stakeholders and partners. We also explore new possibilities that will boost farm productivity and ensure smooth operations at the plants.*

*Alas, the new Crop Year is fraught with even more and greater challenges! Taal Volcano erupted on January 12, 2020, triggering supply chain disruptions to our CADPI operations in Batangas. And even worse, on March 16, 2020, a Quarantine against the Corona Virus 19 infection was implemented in NCR and other parts of the Philippines – totally affecting businesses, up to the present. This is now for survival – both for businesses and human lives, the reason why we postponed and conducted this AGSM virtually, for the first time ever.*

*Your company, through our Bio-Ethanol companies RBC & SCBI, is helping in our fight against this pandemic which already claimed 969 lives in our country, and 381,154 globally so far, by providing the much needed disinfectant alcohol to government and private hospitals, government agencies and LGUs, frontliners, etc., principally thru the PLDT-Smart Foundation, which facilitated the orderly and organized distribution of the product. Our other entities: CADPI and CACI, likewise, helped by relentlessly continuing its operations as part of the food essential producers, despite the many sacrifices and challenges they were facing.*

*We survived the challenges of the past years. We know we will survive this. With your continuing support and persevering diligence to drive excellence at all fronts, our Group will be able to make that big rebound moving forward.*

*We need to be resilient and ready for new challenges, face the new Normal, and do more as we faced head-on the challenges of the past and tackle the present. The ability to stand and make things better even when stronger headwinds and hurdles abound will enable us to appreciate deeply the milestones of RHI.*

*I wish to thank everyone: our dear stockholders, esteemed Board of Directors and Advisors, our committed Management Team as well as hardworking employees and staff for the trust and for sticking with us through the difficult period in CY 2019.*

*With this, I challenge everyone to decide which action to take through this quote from American writer Elizabeth Edwards: "Resilience is accepting your new reality, even if it's less good than the one you had before. You can fight it, you can do nothing but scream about what you've lost, or you can accept that and try to put together something that's good."*

*I fervently hope that we all make the same choice, which is the option to accept this new reality and be driven purposely to produce something good out of it.*

*Thank you."*

The Chairman opened the floor for questions electronically submitted by the stockholders prior and during the meeting.

A question was submitted by Mr. Antonio G. Nieto, a stockholder:

*"If not for the sale of RHIs holdings in Hawaiian Phils., the net loss for the period March 31, 2020 would be bigger than last year. It seems that RHI's losses are getting bigger every reporting period. When will this stop? Where is RHI headed?"*

The Corporation's President, Mr. Tubio, answered the question submitted by Mr. Nieto:

*"To put the half-year losses in context, we note that RHI's operating results this year is better compared to same period last year, before the gain from sale of Hawaiian Philippine Company, if we will disregard the deferred tax benefit recognized during the interim period last year. This year, we have taken a more conservative approach by not recognizing this same tax benefit.*

*Nevertheless, your Management acknowledges that the RHI Group's overall performance is below even our own expectations, as certain challenges in our industry have significantly affected our operations, specifically:*

*1) In Batangas, for our Don Pedro mill and refinery, cane supply in the area declined by 34% compared to Crop Year 2016, or from 1.752M tons to 1.158M tons in 2019. Likewise, we have seen the entry of a new competitor for the already limited volume of canes in the current crop year. The Taal volcano eruption in January also affected the canes and cane deliveries. Internally, our productivity initiatives took a set-back when CADPI was put on the selling block, which transaction took a lot of time for the PCC to decide on, and eventually disapproving the proposed sale.*

*2) For our Ethanol Business, the significant increases in feedstock cost with prices of molasses skyrocketing from P8k to 13.5/ton dented our margins. The declaration of quarantine and limits on mobility arising out of the Covid-19 pandemic also disrupted withdrawals by oil companies. This greatly affected our production plans and raw material sourcing and contracts.*

*3) Prevailing high interest rates (from around 3.5% to 6%) compounded the economic impact of the failed CADPI transaction, which proceeds were planned to prepay long-term debts, and would have de-risked the business.*

*4) As for Central Azucarera de la Carlota - this side of the sugar segment did well, exceeding production targets for the current Crop Year, but the gains were tempered by relatively soft prices of sugar, brought about by importations in the First Quarter of our fiscal year, and threat of sugar import liberalization.*

*Your Management Team is focused on addressing the feedstock issues - cane and molasses usage, while working simultaneously on productivity issues particularly in the limited hectarage in Batangas and on fuel issues affecting our refinery.*

*Rest assured that your Management is well aware of these challenges and is prepared to take certain steps to address these and ensure our long-term sustainability and profitability."*

There being no other questions submitted and upon motion of the Management, the Annual Report of the Corporation for the fiscal year ending September 30, 2019 was approved based the tally of votes cast by the stockholders through electronic voting in absentia, by proxy ballot or by proxy, majority of the total voting shares represented voted in favor of the approval of the Annual Report of the Company for Fiscal Year ending 30 September 2019.

#### **V. APPROVAL AND RATIFICATION OF ALL ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT**

The Management moved for the approval of the all acts, proceedings and resolutions adopted by the Board of Directors and Management since the previous annual stockholders held on April 30, 2019.

Based on the tally of votes cast by the stockholders through electronic voting in absentia, by proxy ballot or by proxy, majority of the total voting shares represented voted in favor of the approval of all acts, proceedings and resolutions adopted by the Board of Directors and Management since the previous annual stockholders meeting held on April 30, 2019.

#### **VI. ELECTION OF THE BOARD OF DIRECTORS**

The Corporate Secretary, Atty. Dela Paz, informed the Chairman, Mr. Roxas, that pursuant to Article 14, Section 1 of the By- laws, election to the Board of Directors should be submitted to the Chairman of the Board of Directors at least fifteen (15) working days prior to any meeting called for the election of the Board of Directors. He likewise advised that nominations were made for the election of the following persons to the Board of Directors of RHI:

1. MR. PEDRO E. ROXAS
2. MR. MANUEL V. PANGILINAN
3. MR. HUBERT D. TUBIO
4. ATTY. RAY C. ESPINOSA
5. MR. CHRISTOPHER H. YOUNG
6. ATTY. ALEX ERLITO S. FIDER
7. MS. ARLYN S. VILLANUEVA
8. MR. OSCAR J. HILADO
9. MR. SANTIAGO T. GABIONZA

Atty. Dela Paz stated that Mr. Santiago T. Gabionza, Mr. Oscar J. Hilado and Ms. Arlyn S. Villanueva are being nominated as Independent Directors of the Corporation.

Since there are only nine (9) seats in the Board of Directors, the Management moved that all votes be cast in favor of all nine (9) nominees. Based on the tally of votes cast by the stockholders through electronic voting in absentia, by proxy ballot or by proxy, majority of the total voting shares represented voted in favor of the nine (9) nominees. The Chairman requested the Corporate Secretary to cast all votes in favor of the above-named nine (9) nominees.

## VII. ELECTION OF THE EXTERNAL AUDITOR

The Corporate Secretary, Atty. Dela Paz, informed the Chairman, Mr. Roxas, that in accordance with the Manual on Corporate Governance, the Audit and Risk Committee recommends the selection of the auditing firm of SyCip Gorres Velayo & Co. as external auditor of the corporation for fiscal year 2019-2020.

The Management moved for the election of the auditing firm of SyCip Gorres Velayo & Co. as external auditor of the corporation for fiscal year 2019-2020. Based on the votes casted by the stockholders through electronic voting in absentia, by proxy ballot or by proxy, majority of the total voting shares represented voted in favor of the election of the auditing firm of SyCip Gorres Velayo & Co. as external auditor of the corporation for fiscal year 2019-2020.

## IX. OTHER MATTERS/ADJOURNMENT

There being no other matter to discuss, on motion duly made and seconded, the meeting was thereupon adjourned.

Attest:

**PEDRO E. ROXAS**  
Chairman of the Board

**MA. HAZEL L. RABARA-RETARDO**  
Asst. Corporate Secretary

### TALLIES OF THE VOTES:

Resolution	Approving	Dissenting	Abstaining
Approval of the Minutes of the Stockholders' Meeting held on 30 April 2019	<b>1,358,968,699</b> shares or <b>99.98%</b> of the total outstanding shares of stock, present in the meeting.	NONE	NONE
Approval of the Annual Report to the Stockholders for the fiscal year ending 30 September 2019	<b>1,358,968,699</b> shares or <b>99.98%</b> of the total outstanding shares of stock present in the meeting.	NONE	NONE
Approval of all acts and resolutions of the Board of	<b>1,358,968,699</b> shares or <b>99.98%</b> of the total issued and	NONE	NONE

Directors and Management	outstanding shares of stock present in the meeting.		
Election of the Board of Directors	<b>1,358,958,762</b> shares or <b>99.98%</b> of the total issued and outstanding shares of stock present in the meeting.	NONE	<b>9,937</b> shares or <b>0.00%</b> of the total issued and outstanding shares of stock present in the meeting.
Election of the external auditors	<b>1,358,958,762</b> shares or <b>99.98%</b> of the total issued and outstanding shares of stock present in the meeting.	NONE	<b>9,937</b> shares or <b>0.00%</b> of the total issued and outstanding shares of stock present in the meeting.