SAN MIGUEL
FOOD AND BEVERAGE, INC.

The Strength to Serve

2021 ANNUAL REPORT

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The Strength to Serve

San Miguel Food and Beverage, Inc. continues to journey through breakthrough avenues of growth. We inspiringly harness our power to sharpen our capabilities. Staying strong, as Filipinos endure future challenges, highlight our menu for enduring service.

■ About the Company

San Miguel Food and Beverage, Inc. (SMFB) is a leading food and beverage company in the Philippines. Our products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. Key brands in the SMFB portfolio include San Miguel Pale Pilsen, San Mig Light, and Red Horse for beer; Ginebra San Miguel for gin; Magnolia for chicken, ice cream, and dairy products; Monterey for fresh and marinated meats; Purefoods and Purefoods Tender Juicy for refrigerated and canned processed meats; Veega, for plant-based food; Star and Dari Crème for margarine; and B-MEG for animal feeds.

We have three primary operating divisions—beer and nonalcoholic beverages (NAB), spirits, and food. The Beer and NAB Division, through San Miguel Brewery, Inc., and Spirits Division, through Ginebra San Miguel Inc., comprise our beverage business. On the other hand, our Food Division, San Miguel Foods, is operated through a number of key subsidiaries such as San Miguel Foods, Inc., Magnolia, Inc., Purefoods-Hormel Company, Inc. and San Miguel Mills, Inc. We serve the Philippine archipelago through an extensive production and distribution network and export our products to over 70 markets worldwide.

SMFB is a subsidiary of San Miguel Corporation (SMC), one of the largest and most diversified conglomerates in the Philippines. Originally founded in 1890 as a single brewery in the Philippines, SMC today owns market-leading businesses and has investments in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure, property, car distributorship, and banking services. SMFB is a key business group under the San Miguel Group that is interwoven with the economic fabric of the Philippines, benefitting from, as well as contributing to, the development and economic progress of the nation. SMFB is listed on the Philippine Stock Exchange under the ticker symbol “FB”.

■ Message to Shareholders

The Strength to Serve

Dear Fellow Shareholders,

After a year of much uncertainty in 2020, we ushered in 2021 brimming with hope. The rollout of the government's vaccination program in the earlier part of 2021 coupled with the calibrated relaxation of quarantine restrictions and protocols were instrumental in improving sentiment and mobility. This led to a pick-up in economic activity, which bode well for consumer companies like ours. We saw a glimmer of light at the end of the tunnel!

Despite assumptions of a slowdown in global economic growth, the Philippines exhibited signs of resilience and enhanced activity in 2021. Employment indicators improved in the later part of the year with the unemployment rate dropping to 6.6% in December 2021 from a peak of 17.6% in April 2020. During the fourth quarter of 2021, the economy grew 7.7%, bringing the full-year growth to a respectable 5.6%.

Ramon S. Ang
Vice Chairman, President, and Chief Executive Officer

Our financial performance

Against this improved backdrop, San Miguel Food and Beverage, Inc. (SMFB) rebounded strongly, delivering outstanding results even in an unprecedented environment where COVID-19 remained a concern, further compounded by inflationary pressures and supply chain tensions.

Throughout the year, our Beer, Food, and Spirits businesses quickly implemented plans to drive sales growth and focused on what we could control to offset the impact of the pandemic and macroeconomic volatility.

As a result, consolidated revenues in 2021 grew 11% to P309.8 billion propelled by higher volumes, market share gains, and better pricing across SMFB's businesses.

Consolidated EBITDA for 2021 rose 20% to P56.2 billion versus P46.8 billion in 2020, while consolidated operating income jumped 31% from P33.4 billion in 2020 to P43.7 billion in 2021. The Company's productivity improvements, distribution efficiencies, and cost containment initiatives, coupled with our efforts to further grow revenues help operating margins expand 100 basis points last year.

As a result of all the foregoing, consolidated net income jumped 40% to P31.4 billion in 2021 from P22.4 billion in 2020, moving closer towards our pre-pandemic financial performance. We delivered earnings per share growth of 61% and a 4% increase in dividends paid.

SMFB's Food business posted record consolidated revenues of P151.0 billion, a 12% increase over the prior year and 8% better than 2019, with each segment delivering strong results and increased earnings.

The Protein segment posted double-digit growth driving the Food business' revenues, and bolstered by better pricing of its poultry products and efficient inventory management.

The Prepared and Packaged Food segment also posted continued growth, with higher contributions from Tender Juicy hotdogs and Purefoods chicken nuggets, complemented by growing sales from new products, including meat-free line Veega, Purefoods spaghetti sauce, and seafood nuggets.

The company's Animal Nutrition and Health and Flour segments also continued its strong momentum into 2021 as it benefitted from various campaigns, expansion of distribution networks, and the reopening of customers' businesses and repopulation of hog farms already free of African Swine Fever.

As a result, consolidated EBITDA of the Food business increased 39% to P17.0 billion, while consolidated operating income more than doubled to P11.5 billion.

The Beer business, on the other hand, reported revenues of P116.3 billion, 8% higher than the prior year but still lower than pre-pandemic levels.

Nonetheless, the Beer business continued to implement cost management initiatives to preserve profits, resulting in a 10% increase in operating income to P26.9 billion, while EBITDA amounted to P32.6 billion, up 10%.

Meanwhile, SMFB's Spirits business registered another record year as revenues soared 17% to P42.5 billion. Relevant marketing campaigns, consumer promotions, a broadening distribution network, and efficiencies all supported growth.

Income from operations of the Spirits business rose 39% to P5.3 billion, while EBITDA increased 26% to P6.3 billion.

Our results reflect the dedication and motivation of our teams across our businesses, who remain focused on delivering value for all our stakeholders.

Silver linings

While the COVID-19 pandemic has been a dark cloud hanging over the world, it has taught us, as an organization, some very important lessons—lessons that show us that it is time to transform the way we do business.

First, the need to keep our employees, families, and communities safe, which we have been doing from our early days as a company and which we have ramped up since early 2020. The events in the past two years have reminded us to look after each other. While we had many initiatives last year, perhaps the most monumental is the rollout of San Miguel Corporation's P1 billion nationwide vaccination drive under its Ligtas Lahat program, which benefitted our employees, families, and extended workforce. By December, the vaccination rate (fully vaccinated) was close to 100%, plus the rollout of booster shots for employees nationwide. In addition, we continue to be vigilant about testing so that interventions can immediately be done to further prevent the potential spread of the virus in our offices and workspaces.

Second, the need to support our communities. It is inherent in our DNA to have a strong sense of social responsibility. For a company of our scale, we have a special responsibility to be a true force for good for the greatest number of people.

We have never wavered in our commitment. Why? Because food is essential. From the onset of the pandemic, we have assured the country that there will be sufficient food supply and kept our nationwide production facilities going. Our businesses, likewise, made significant contributions of food, ethyl alcohol, PPEs, testing kits, and other essential items in various areas, especially the most vulnerable.

Apart from philanthropic activities, SMFB recognizes that jobs are at the core of economic development and in building strong communities. Through our businesses, we engage with communities to create jobs through various programs such as our micro-enterprise program

Roberto N. Huang
Chief Operating Officer - Beer

Francisco S. Alejo III
Chief Operating Officer - Food

Emmanuel B. Macalalag
Chief Operating Officer - Spirits

where individuals can sell our full line of products in their own communities. Another example is our Cassava Assembler Program that aims to develop the countryside by providing livelihood opportunities in rural communities with the introduction of alternative crops and improvement of farm technologies and income.

Third, agility and resilience are key to navigating disruptions and shifts in our operating environment, such as the pandemic, and this helped SMFB bounce back stronger than ever before.

With the consolidation of our food and beverages businesses, SMFB's business model remains on solid footing with a healthy balance sheet, supported by a robust and diversified product portfolio. Being under one umbrella was valuable in helping us navigate the circumstances and challenges that began in 2020.

Looking forward, more than ever, corporate governance has become more crucial in identifying and responding to the right risks. We continue to dedicate our efforts to set up an effective corporate governance structure, with main principles that include protecting shareholder interests, improving board oversight performance, respecting stakeholder interests, and enhancing information transparency. Since our consolidation, we have consistently improved our performance in the ASEAN Corporate Governance Scorecard and we remained top-ranked across publicly-listed companies in the Philippines.

On the other hand, while we have many sustainability practices in place, we are in the process of further strengthening our sustainability framework that will outline our actions, especially as it relates to being part of the San Miguel ecosystem, and articulate SMFB's impact on society, the environment, and the economy. We have engaged leading experts to guide us in further defining our goals and formulate the metrics to track our progress in a manner that is clear to investors, customers, and other stakeholders.

Looking ahead

We are almost half-way through 2022 and many macro uncertainties have emerged including accelerating inflation. Across our businesses, we have implemented cost and pricing initiatives to successfully counter these challenges so that we are in a better position to deliver value for all of our stakeholders.

First quarter 2022 performance

In the first quarter of 2022 consolidated revenues grew 9% to P83.1 billion compared to that of the first quarter in 2021. This was driven by a combination of volume growth and better pricing across multiple categories in our spirits and food businesses, even as the COVID-19 Omicron variant interrupted an already improving trend seen in the latter part of 2021.

As with other consumer goods companies, SMFB was faced with rising input costs on raw materials and utilities, squeezing profits and moderating the gains from volume growth compared to the same period in 2021.

Nonetheless, consolidated EBITDA and consolidated income from operations still managed to grow by 1% to P15.7 billion and P12.7 billion, respectively.

Excluding non-recurring benefits in the first quarter of 2021 related to the CREATE law, the company's net income for the 1st quarter of 2022 was up by 1% to P9.2 billion.

SMFB's Food business posted consolidated revenues of P40.8 billion, a 13% increase over the prior year as demand for its brands remained robust.

Its Animal Nutrition and Health and Flour segments posted strong double-digit revenue growth, while Poultry and Processed Meats also posted higher sales. Advertising and promotional campaigns, expansion of distribution networks, superior product quality, and better pricing all contributed to the growth of the Food business.

While the Food business continues to take the necessary actions to maintain profitability, it was still impacted by inflationary pressures. Its consolidated EBITDA for the first quarter of the year amounted to P5.7 billion from P6.1 billion, while consolidated operating income ended at P4.2 billion from P4.5 billion.

The Beer business, on the other hand, reported revenues of P29.7 billion, 3% higher than the prior year on account of improved volumes in its international operations and price adjustments. Its EBITDA and income from operations remained flat in the first quarter at P8.0 billion and P6.8 billion, respectively. The Beer business will continue to implement cost management initiatives to preserve profits moving forward. Nonetheless, the reopening of on-premise channels following the lifting of COVID-19 restrictions has boosted the Beer business' prospects for the rest of the year.

Meanwhile, SMFB's Spirits business continued its momentum as revenues jumped 11% year-on-year to P12.6 billion. During the period, the business introduced relevant brand-building campaigns that resonated well with consumers and captured new markets. It also implemented various programs that further supported its growth. As a result, EBITDA of the Spirits business rose 32% to P2.0 billion from P1.5 billion, while income from operations increased 39% to P1.8 billion from P1.3 billion.

We remain optimistic about our ability to deliver growth moving forward. We are confident that the strategic pivots we've made in the last couple of years will keep us on solid footing. We are fortunate that our financial strength enables us to continue pursuing expansion projects that will enable us to further capitalize on the country's continued recovery. We are confident that, once the dark clouds of the pandemic finally lift, we will emerge as an even stronger and more resilient company with the strength to help serve the needs of our country.

Working towards the greater good

We work hard to ensure that our brands continue to be present in the everyday and life events of Filipinos. At the same time, we are committed to the highest standards of governance and ethical behaviour, and to fulfilling our responsibilities to our country. We remain steadfast in creating long-term value for all our stakeholders in a socially and environmentally sustainable manner.

The Seed of Caring for the Environment

As stewards of the environment, San Miguel Brewery Inc. (SMB) has made green initiatives an integral part of its operations. Owing its success to the bounties provided by Mother Earth, SMB makes sure that it gives back what it reaps from the environment.

Challenges brought on by the pandemic limited the company's movement in 2020. However, this did not deter the company's plans to follow through on its commitment as it successfully conducted its annual re-greening efforts under the flagship Buhayin ang Kalikasan nationwide environmental program. Already on its 11th year, SMB's "Trees Brew Life" held activities at select territories, including Misamis Oriental, Cebu, and Bacolod.

Last June, the Tagoloan Brewery conducted its first tree planting activity. Following health and safety protocols, SMB employees together with business partners and representatives from the local government planted 300 mahogany seedlings within the plant's facility. The seedlings were provided by the local government, thru its Municipal Agriculture Office and Municipal Environment and Natural Resources Office.

Plant Manager Wilfredo R. Camaclang stressed the need to plant trees as a show of commitment to the preservation of the environment where we operate.

"It is imperative for all of us to give back to our environment because our company's very existence is out of our environment's abundance. Thus, we take environment preservation activities such as tree planting seriously. The seedlings that we planted are manifestations of our care for the environment," Camaclang pointed out.

As a follow-up activity, the Tagoloan Brewery conducted another round of tree planting last October. Through the activity, an additional 500

seedings composed of mahogany and African Talisay were planted within the brewery's property.

In addition, in partnership with the local government of Carmen, Cebu, SMB employees led by the management team of the Mandaue Brewery conducted its annual mangrove propagule planting activity.

Now on its sixth year, the Carmen Mangrove Development program has successfully planted 60,000 mangrove propagules every year to help regenerate the coastal municipality's mangrove cover. The project has augmented the marine sanctuary that protects schools of fish like lapu-lapu and other grouper species such as tuna, mackerel, sardines, parrot fish, and other coral fishes. "We have noticed that as the mangroves spread, the corals have also increased greatly. One of our good indicators is the abounding presence of the Taclobo (giant clam) or hagdanan as we call it locally," shared fish warden Esteban Jayson.

Aside from greening the coastlines, the mangrove project has also spread awareness among the coastal folks of the importance of the mangroves for their fishing activities. The initiative has likewise provided income through the propagation of propagules to sustain the mangrove activities in Carmen and its neighboring areas.

For the Bacolod Brewery, health protocols have decreased the usual tree-planting engagement. Nonetheless, the coverage of the effort was still substantial as it added another 1,000 square meters to the existing 3,000 square meter parcel of land within the rainforest project of the Negros Economic Development Foundation Inc. (NEDF). The forest cover, adopted by the Bacolod Brewery in 2019, is situated in Barangay Handumanan, Bacolod City.

"We are grateful for SMB that, despite the limitations brought by the pandemic, was able to continue its advocacy," shared NEDF Executive Director Rose Depra.

The present pandemic has not diminished SMB's drive to contribute to the environment's welfare. When quarantine measures finally lift and everyone is confident to move about, the company will continue its pursuit to re-green the nation.

Slowly, SMB is making a difference by planning the seed of caring for the environment, a seed that will carry over to future beermen here, and hopefully other companies follow suit.

Nourishing and Nurturing Our Communities

Over the years, San Miguel Foods' corporate social responsibility program has focused on five key social development issues—nutrition, education, environment, livelihood, and community development. In 2021, amid a pandemic landscape that limited the movement of people and resources, the company intensified its programs to help the communities cope and recover from the prevailing crisis.

Handog, the Filipino word for offering and generosity, is the company's umbrella CSR program. It is comprised of five Ks that depict its flagship programs—*Kalusugan, Karunungan, Kalikasan, Kabuhayan, and Komunidad*, all created to help build strong, resilient communities and create lasting impact in the communities where the company operates.

Kalusugan (Health)

In line with the country's "First 1,000 Days" law (R.A. 11148), which seeks to scale up the country's nutrition and health programs for the first 1,000 days of a child's life, San Miguel Foods completed its own First 1,000-day health and nutrition intervention program entitled "Happy si Mommy, Malusog si Baby". San Miguel Foods, in collaboration with San Miguel Foundation and DOST-FNRI, provided baby kits and nutritious mingo meals (instant food made of rice, monggo, and malunggay) good for three to six months to serve as supplementary food for 420 toddlers in nine different provinces around the country for two years. Prior to that, while the same toddlers were still in their mother's wombs, the company gave free ultrasounds and check-ups, as well as early literacy seminars to the pregnant moms. Beneficiaries of this program were from Looc and Canduman in Cebu, Macabug in Leyte, Maliao in Iloilo, San Jose in Negros Occidental, Sirawan in Davao, Gracia in Misamis Oriental, San Vicente, Sumilao in Bukidnon, and Orion in Bataan.

Karunungan (Knowledge)

Thirty-eight students from Sumilao, Bukidnon graduated from the School for Experiential and Entrepreneurial Development (SEED), a school developed by Gawad Kalinga and San Miguel Foundation to make organic agriculture education more attainable to the Sumilao youth and raise a generation of agri-entrepreneurs. San Miguel Foods provided the venue, scholarship, and funding for the miscellaneous educational expenses of both its pioneer and second batch of graduates. Students underwent a month of campus-based learning and two months of community-based learning. They received a TESDA Certificate course on Organic Agriculture Production (OAP NCII). Majority of the students come from farmer families whose parents and older generations have always been engaged in farming and agriculture. Nine of the graduates have set up their own farms with the goal of selling their own produce and providing enough income for their families. Several of them were employed by Gawad Kalinga to oversee the development of backyard farms in different part of the country. The others are now helping run the SEED school in Sumilao.

Kalikasan (Nature)

To help protect and preserve the rich marine biodiversity of Anilao in Mabini, Batangas, where the company's flour milling plant and shipping terminal are located, San Miguel Foods has been working with stakeholders to launch a coral propagation project in Anilao. Licensed employee volunteer divers have undergone the basic training and conducted ocular inspection and trial planting under the supervision of a marine biologist, in preparation for the project. The company believes that more than a CSR project, a coral propagation and rescue program contributes to the company's sustainability efforts in preserving the environment.

Kabuhayan (Livelihood)

Originally conceptualized to support small-scale hog farming projects, this program had to be redirected in the light of African Swine Fever which affected the hog industry since 2019. In 2021, in its stead, San Miguel Foods continued to offer enterprising Filipinos the chance to start their own small business during the pandemic and augment their income, by becoming part of the company's growing network of small business partners. In

this micro-enterprise program for communities, interested individuals went into selling the company's full line of popular and trusted brands in their own communities. The program started in 2020 at the height of pandemic restrictions, when access to food products at traditional outlets was severely limited. While the economy was in a slowdown, these opportunities helped many hardworking Filipinos who suffered many setbacks during the pandemic get back on their feet.

Komunidad (Community)

Using its own disinfectant, Protect Plus Gold, and as part of its continuing efforts to help barangays nationwide mitigate health risks related to COVID-19 and other viruses, San Miguel disinfected public markets, barangay centers, farms, communities, streets, households, and other public spaces for free, reaching around 100 barangays. House-to-house disinfections were done in Pangasinan, Benguet, and Tarlac towns, as well as barangays in Marikina, San Juan, and Taytay in the National Capital Region (NCR). Disinfection was also conducted at farms in various barangays in Batangas, Cavite, Capiz, Saranggani, Surigao del Norte, Agusan del Norte, and Caraga. Meanwhile, disinfection of stores in public markets were also done in numerous barangays in Masbate, Camarines Sur, Camarines Norte, Albay, and Catanduanes.

The initiative aimed to help limit the spread of harmful viruses, including COVID-19, particularly with the gradual reopening of the economy resulting to increased movement of people, and higher foot traffic at public markets and other commercial and public areas.

At the heart of the company's core purpose of nourishing and nurturing families worldwide is the commitment to help create a better world, starting with the areas where the business operates. As one of the largest food companies in the country today, San Miguel Foods commits to do its part in providing solutions, not only for nutrition and health, but also for other pillars of social development that will contribute meaningfully to nation-building.

Changing lives through the Ginebra San Miguel Bar Academy

As a company, Ginebra San Miguel Inc. (GSMI) values the role it plays in sustainable development, so it strives to make a positive impact in its communities through corporate social responsibility projects that are geared towards uplifting lives.

One of GSMI's successful projects is the Ginebra San Miguel Bar Academy. Established in 2020 in partnership with the Technical Education and Skills Development Authority (TESDA), the Bar Academy gives underprivileged Filipinos the opportunity to fulfill their dreams through a world-class education in bartending. In just two years, it has already produced competent and job-ready graduates. Most of them are now working as bartenders in the country's biggest restaurants and are better able to support their families. Many of them also plan to work on cruise ships after gaining the needed industry experience.

Apart from changing lives, the Bar Academy is helping elevate the bartending profession and draw the hospitality industry's attention to the globally-recognized TESDA bartending curriculum, modern facilities and its excellent scholar-graduates. It has also encouraged a growing number of young people to consider a lucrative career in technical vocational, through bartending.

The Bar Academy is now TESDA's premier showcase for its world-class training workshop and the venue of its many national events. It is also considered

a model for private sector corporate social responsibility initiatives, attracting international visitors, investors and foreign diplomats.

Located at the TESDA Women's Center in Bicutan, the Bar Academy is equipped with state-of-the-art, industry-standard equipment and facilities. These include a world-class and spacious bar counter, a wide array of GSMI products and other liquors, a fully-stocked wine cellar, all-stainless steel back bar workshop, fully air-conditioned flairtending gym with floor-to-ceiling mirrors and rubberized floors, and a hotel-inspired dining area complete with modern furniture and fixtures. All these are designed to give scholars the best showcase of classic bartending, an extensive training and an authentic industry experience.

GSMI first partnered with TESDA in 2014 for its GSMI Technopreneur Program, launched in celebration of its flagship brand, Ginebra San Miguel's 180th anniversary. The program trained 180 scholars in cocktail mixing, flairtending and basic business skills, and provided mobile bars to help them start their own business. GSMI hopes to continue its commitment to uplift lives through education with the Ginebra San Miguel Bar Academy.

■ Our Brands

OUR BRANDS ARE TOP-OF-MIND FOR THE FILIPINO CONSUMER. DESPITE THE CHALLENGES OF THE PANDEMIC, WE ENSURED THAT OUR PRODUCTS CONTINUED TO BE PART OF THE EVERYDAY LIVES OF OUR CONSUMERS.*

SAN MIGUEL BREWERY INC.
A subsidiary of San Miguel Corporation

San Miguel PALE PILSEN
RED HORSE BEER EXTRA STRONG
San Mig LIGHT
San Miguel Flavored Beer
GOLD EAGLE BEER
San Miguel SUPER DRY
San Miguel Premium ALL-MALT BEER
Cerveza Negra MADE WITH ROASTED MALT
San Mig ZERO BEER
KIRIN ICHIBAN 100% malt, first press beer.

** Except for certain periods when the strictest lockdowns imposed liquor bans in certain areas, which impacted some of our Beer and Spirits facilities.*

SAN MIGUEL FOODS

B-MEG

Magnolia PAMBANSANG MANOK

PUREFOODS

Magnolia

nutri CHUNKS

Magnolia Chicken Timplados

Veega

STAR

ANIMAL HEALTH CARE

MONTEREY

SPAM

Magnolia DARICREME

BAKE BEST BAKERY SOLUTIONS

Great Food SOLUTIONS

Le Gourmet

San Mig Super Coffee

GINEBRA SAN MIGUEL SINCE 1834

GINEBRA S. MIGUEL

G.S.M. BLUE

1834 PREMIUM DISTILLED GIN

GINEBRA SAN MIGUEL Premium GIN

VINO KULAFU

PRIMERA LIGHT Brandy

AÑEJO GOLD RUM

ANTONOV VODKA

TONDEÑA MANILA RUM

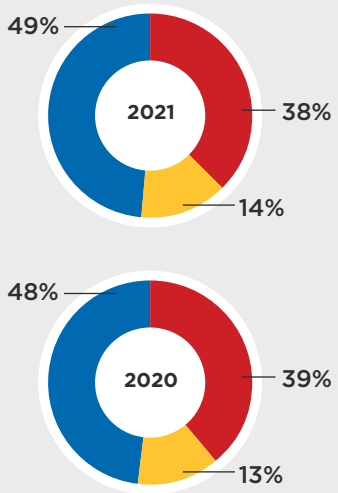
■ Consolidated Financial Highlights

Amounts in P millions, except per share data

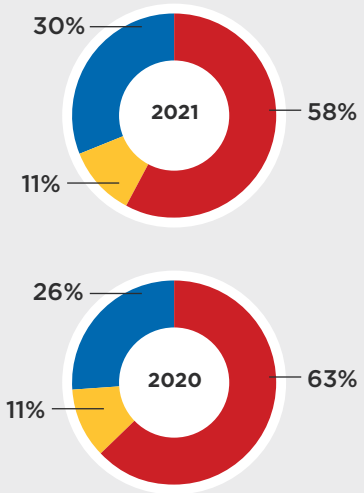
	2021	2020	% Change
Financial Results			
Revenues	309,778	279,290	11%
Income from Operations	43,695	33,412	31%
Net Income	31,417	22,401	40%
Attributable to:			
Equity holders of the Parent Company	19,791	12,476	59%
Non-controlling interests	11,626	9,925	17%
Financial Position			
Total Assets	297,624	276,282	8%
Total Liabilities	152,162	144,463	5%
Total Equity	145,462	131,819	10%
Data per Common Share*			
Earnings per share	3.35	2.08	61%
Book value per share	15.81	13.95	13%
Dividends Paid	18,404	17,721	4%
Financial Ratios			
Current Ratio	1.49	1.22	22%
Debt-to-Equity Ratio	1.05	1.10	-5%

** Based on the number of common shares issued and outstanding at the end of each year.*

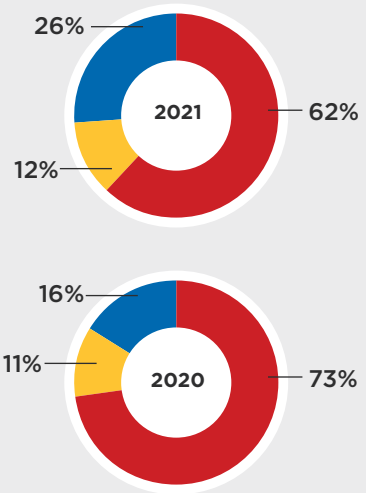
Contribution by Revenue



Contribution by EBITDA



Contribution by Income from Operations



■ Beer & NAB
■ Spirits
■ Food

■ Financial Review

This discussion summarizes the significant factors affecting the consolidated financial position, financial performance and cash flows of San Miguel Food and Beverage, Inc. (SMFB or "the Parent Company") and its subsidiaries (collectively, referred to as the "Group") for the three-year period ended December 31, 2021. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2021 and the financial performance and cash flows for the year ended December 31, 2021 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Measurement

The consolidated financial statements of the Company have been prepared on the historical cost basis, except for the following items which are measured on an alternative basis on each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the Parent Company. All values are rounded off to the nearest million (000,000), except when otherwise indicated.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standard

Effective January 1, 2021, the Group has adopted Coronavirus Disease 2019 (COVID-19) - Related Rent Concessions (Amendments to PFRS 16, Leases) beyond June 30, 2021. The optional practical expedient

introduced in the 2020 amendments that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19 and which solely applies to reduction in lease payments originally due on or before June 30, 2021 has been extended to June 30, 2022. The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond June 30, 2021.

The adoption of the amended standard did not have a material effect on the consolidated financial statements.

II. FINANCIAL PERFORMANCE

2021 vs 2020

The Group delivered robust financial results for the full year ended December 31, 2021, demonstrating resilience in the face of challenges brought about by the ongoing pandemic.

Consolidated sales in 2021 amounted to P309,778 million, 11% higher compared to 2020. Consolidated net income, on the other hand, reached P31,417 million, 40% higher than 2020, and tracking 2019 pre-pandemic levels.

Sales
Consolidated sales increased 11% from P279,290 million in 2020 to P309,778 million in 2021. Sales in the Beer and NAB segment were up 8% from P107,923 million in 2020 to P116,280 million in 2021, sales in the Spirits segment jumped 17% from P36,198 million in 2020 to P42,529 million in 2021, and sales in the Food segment rose by 12% from P135,169 million in 2020 to P150,969 million in 2021. The increase was driven by higher volumes, market share gains, and better pricing across all segments of the Group.

Cost of Sales
Consolidated cost of sales increased 10% from P200,239 million in 2020 to P219,306 million in 2021. Cost of sales in the Beer and NAB segment were up 8% from P65,870 million in 2020 to P71,385 million in 2021, cost of sales in the Spirits segment rose by 18% from P26,989 million in 2020 to P31,756 million in 2021, and cost of sales in the Food segment grew 8% from P107,380 million in 2020 to P116,165 million in 2021. The increase was due to higher sales volume across most segments, and higher excise taxes of the Beer and NAB and Spirits segments.

The following table summarizes the cost of sales for the year ended December 31, 2021:

	Beer and NAB	Spirits	Food	Total
Inventories	P10,779	P12,997	P100,953	P124,729
Excise tax	54,150	17,196	-	71,346
Labor	1,635	392	1,867	3,894
Others	4,821	1,171	13,345	19,337
	P71,385	**P31,756**	**P116,165**	**P219,306**

Gross profit
Consolidated gross profit rose 14% from P79,051 million in 2020 to P90,472 million in 2021. Gross profit in the Beer and NAB segment increased 7% from P42,053 million in 2020 to P44,895 million in 2021, gross profit in the Spirits segment jumped 17% from P9,209 million in 2020 to P10,773 million in 2021, and gross profit in the Food segment increased by 25% from P27,789 million in 2020 to P34,804 million in 2021. The increase resulted primarily from higher sales volumes of the Group.

Selling and Administrative Expenses

Consolidated selling and administrative expenses slightly went up 2% from P45,639 million in 2020 to P46,777 million in 2021. Selling and administrative expenses in the Beer and NAB segment, likewise, went up 2% from P17,579 million in 2020 to P17,978 million in 2021, selling and administrative expenses in the Spirits segment inched 1% from P5,403 million in 2020 to P5,480 million in 2021, and selling and administrative expenses in the Food segment increased by 3% from P22,657 million in 2020 to P23,319 million in 2021 (includes expenses of the Parent Company amounting to P86 million and P102 million in 2021 and 2020, respectively). The increase was primarily due to activities intended to further support volume growth, as well as amendments to the Company's retirement benefits.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges were down 15% from P3,941 million in 2020 to P3,360 million in 2021, mainly due to the lower interest rates during the period.

Interest Income

Consolidated interest income decreased 36% from P734 million in 2020 to P468 million in 2021 due to lower money market placements and lower interest rates.

Gain on Sale of Investments and Property and Equipment

The Group recognized consolidated gain on sale of investments and property and equipment amounting to P196 million resulting from assets disposed and retired during the period.

Other Charges - Net

The Group recognized other consolidated charges amounting to P197 million in 2021 compared to other income in 2020 amounting to P1,619. This was primarily due to marked to market losses on foreign purchase of materials due to the depreciation of the peso against US dollar from P48 : US$1 in 2020 to P51 : US$1 in 2021, the Food segment's brand and fixed assets impairment, as well as the decrease in other income related to received Tax Credit Certificates of the Beer and NAB segment.

Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax increased 28% from P31,788 million in 2020 to P40,802 million in 2021.

Income Tax Expense

The consolidated income tax expense amounted to P9,385 million in 2021. The slight decrease from 2020 amounts was primarily due to the effect of the CREATE law despite the higher taxable income of the Group.

Net Income

As a result, the Group's consolidated net income jumped 40% from P22,401 million in 2020 to P31,417 million in 2021. Net income of the Beer and NAB segment increased 17% from P17,457 million in 2020 to P20,449 million in 2021, net income of the Spirits segment rose 52% from P2,757 million in 2020 to P4,179 million in 2021, and net income of the Food segment was up 210% from P2,187 million in 2020 to P6,789 million in 2021 (inclusive of operating and interest expenses of the Parent Company amounting to P821 million).

Non-Controlling Interests

Share of non-controlling interests in the Group's net income increased 17% from P9,925 million in 2020 to P11,626 million in 2021 mainly due to the higher net income of the Group.

Net Income after Tax and Non-Controlling Interests

The Group's consolidated net income after tax and non-controlling interests was up 59% to P19,791 million for the year ended December 31, 2021 versus the P12,476 million for the year ended December 31, 2020.

Net income after tax and non-controlling interests of the Beer and NAB segment increased 17% from P8,781 million in 2020 to P10,247 million in 2021, net income after tax and non-controlling interests of the Spirits segment rose 69% from P1,875 million in 2020 to P3,167 million in 2021, and net income after tax and non-controlling interests of the Food segment grew 250% from P1,820 million in 2020 to P6,377 million in 2021 (inclusive of operating and interest expenses of the Parent Company amounting to P821 million).

2020 vs 2019

The Group saw the full impact of COVID-19 for the year ended December 31, 2020 primarily due to quarantine restrictions imposed over certain parts of the country throughout various time periods in 2020 and the resulting economic toll it took on individuals and businesses.

Consolidated sales in 2020 amounted to P279,290 million, 10% lower compared to 2019. On the other hand, consolidated net income amounted P22,401 million, 31% lower than in 2019, mainly attributed to lower sales volumes and gross profit across all segments of the Group.

Sales

Consolidated sales decreased 10% from P310,785 million in 2019 to P279,290 million in 2020. Sales in the Beer and NAB segment decreased 24% from P142,267 million in 2019 to P107,923 million in 2020, sales in the Spirits segment declined by 25% from P29,063 million in 2019 to P36,198 million in 2020, and sales in the Food segment went down by 3% from P139,455 million in 2019 to P135,169 million in 2020. The decrease was mainly due to lower sales volumes of the Group.

Cost of Sales

Consolidated cost of sales decreased 6% from P212,030 million in 2019 to P200,239 million in 2020. Cost of sales in the Beer and NAB segment declined 17% from P79,586 in 2019 to P65,870 in 2020, cost of sales in the Spirits segment increased 28% from P21,127 million in 2019 to P26,989 million in 2020, and cost of sales in the Food segment was down 4% from P111,317 million in 2019 to P107,380 million in 2020. The decrease was primarily due to lower sales volume across most segments as an effect of the COVID-19 pandemic.

The following table summarizes the cost of sales for the year ended December 31, 2020:

	Beer and NAB	Spirits	Food	Total
Inventories	P10,293	P12,565	P92,739	P115,597
Excise tax	49,827	13,021	-	62,848
Labor	1,594	318	1,713	3,625
Others	4,156	1,085	12,928	18,169
	P65,870	**P26,989**	**P107,380**	**P200,239**

Gross profit

Consolidated gross profit decreased 20% from P98,755 million in 2019 to P79,051 million in 2020. Gross profit in the Beer and NAB segment was down 33% from P62,681 million in 2019 to P42,053 million in 2020, gross profit in the Spirits segment rose 16% from P7,936 million in 2019 to P9,209 million in 2020, and gross profit in the Food segment slightly went down 1% from P28,138 million in 2019 to P27,789 million in 2020. The decrease resulted primarily from lower sales volumes of the Group despite the increase in selling prices and excise taxes.

Selling and Administrative Expenses

Consolidated selling and administrative expenses decreased 10% from P50,974 million in 2019 to P45,639 million in 2020. Selling and administrative expenses in the Beer and NAB segment declined 27% from P23,954 million in 2019 to P17,579 million in 2020, selling and administrative expenses in the Spirits segment increased 7% from to P5,058 million in 2019 to P5,403 million in 2020, and selling and

administrative expenses in the Food segment went up 3% from P21,962 million in 2019 to P22,657 million in 2020 (includes other administrative expenses of the Parent Company amounting to P40 million and P51 million in 2019 and 2020, respectively). The decrease was primarily due to the lower advertising and promotions, and distribution expenses.

Interest Expense and Other Financing Charges
Consolidated interest expense and other financing charges went up 26% from P3,120 million in 2019 to P3,941 million in 2020 due to the higher interest-bearing debt balance of the Beer and NAB and Food segments in 2020, as well the Peso retail bonds issued by the Parent Company in 2020 to refinance the outstanding Peso preferred shares that were redeemed.

Interest Income
Consolidated interest income decreased 35% from P1,133 million in 2019 to P734 million in 2020, primarily due to lower average level of money market placements of the Beer and NAB segment.

Equity in Net Losses of Joint Ventures
The Group discontinued recognition of share in losses of joint venture, primarily held through its Spirits segment, since the net investment was already zero in 2020 compared to the same period in 2019.

Loss on Sale of Investments and Property and Equipment
The Group recognized consolidated loss on sale of investments and property and equipment amounting to P36 million resulting from assets disposed and retired during the period.

Other Income - Net
The Group recognized consolidated other income amounting to P1,619 million in 2020. The increase was primarily due to the tax credit certificates received by the Beer and NAB segment during the third quarter due to a favorable tax ruling, marked-to-market (MTM) gains and foreign exchange gains resulting from the appreciation of the Philippine Peso against other foreign currencies during the period.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax decreased 31% from P46,107 million in 2019 to P31,788 million in 2020.

Income Tax Expense
Consolidated income tax expense decreased 32% from P13,828 million in 2019 to P9,387 million in 2020. This decrease was primarily due to the lower taxable income of the Beer and NAB and Food segments, which was only partially offset by higher taxable income of the Spirits segment.

Net Income
As a result of the foregoing, the Group's consolidated net income decreased 31% from P32,279 million in 2019 to P22,401 million in 2020. Net income of the Beer and NAB segment declined 36% from P27,292 million in 2019 to P17,457 million in 2020, net income of the Spirits segment increased by 65% from P1,672 million in 2019 to P2,757 million in 2020, and net income of the Food segment went down by 34% from P3,315 million in 2019 to P2,187 million in 2020 (inclusive of operating and interest expenses of the Parent Company amounting to P750 million).

Non-Controlling Interests
Share of non-controlling interests in the Group's net income decreased in 2020 compared to 2019 mainly due to the lower net income of the Beer and NAB and Food segments.

Net Income after Tax and Non-Controlling Interests
The Group's consolidated net income after tax and non-controlling interests, therefore, decreased 32% to P12,476 million for the year ended December 31, 2020 versus the P18,278 million for the year ended

December 31, 2019. Net income after tax and non-controlling interests of the Beer and NAB segment decreased 36% from P13,674 million in 2019 to P8,781 million in 2020, net income after tax and non-controlling interests of the Spirits segment increased 65% from P1,137 million in 2019 to P1,875 million in 2020, and net income after tax and non-controlling interests of the Food segment was down 48% from P3,467 million in 2019 to P1,820 million in 2020 (inclusive of operating and interest expenses of the Parent Company amounting to P750 million).

III. FINANCIAL POSITION

2021 vs 2020

Consolidated total assets as of December 31, 2021 amounted to P297,624 million, 8% or P21,342 million higher than as of December 31, 2020. The increase was primarily due to higher ending inventory levels and expansion projects of the Group. Consolidated total liabilities as of December 31, 2021 amounted to P152,162 million, 5% or P7,699 million higher than in December 31, 2020. The increase was primarily due to the availment of long-term debt of the Beer and NAB and Food segments, which was partially offset by the settlement of short-term loans by the Sprits segment.

Cash and cash equivalents increased 12% or P4,568 million due to the higher cash generated from operations of the Group, collection of sales and availment of additional long-term debt by the Beer and NAB and Food segments.

Trade and other receivables increased 14% or P2,825 million primarily driven by higher sales volume of the Group, and higher credit availment of the Beer and NAB segment's dealers compared to 2020.

Inventories increased 26% or P9,036 million due to the Food segment's higher inventory of raw materials in anticipation of increasing commodities prices, and the Beer and NAB and Spirits segments' higher finished products on hand and goods in process versus 2020's ending inventory levels.

Prepaid expenses and other current assets decreased 12% or P844 million due to the Food segment's application of creditable withholding taxes and the Beer and NAB segment's utilization of remaining tax credit certificates received.

Investments increased 6% or P298 million primarily due to the Beer and NAB segment's foreign exchange gains.

Property, plant and equipment increased 8% or P6,461 million mainly due to the expansion projects of the Food and Beer and NAB segments.

Investment property increased 15% or P434 million due to reclassification of the Beer and NAB segment of a portion of property from owner-occupied to investment property.

Biological assets decreased 7% or P403 million due to the Food segment's retirement of breeding stocks.

Deferred tax assets decreased 25% or P720 million due to the reduction of income tax rate brought about by the CREATE law, and the Food segment's application of net operating loss carry over and minimum corporate income tax to tax payable.

Notes payable decreased 52% or P5,589 million mainly due to the Group's payment of short-term loans and lower availments.

Trade payables and other current liabilities increased 12% or P6,379 million mainly due to the higher working capital requirements.

Income and other taxes payable decreased 7% or P439 million due to lower income tax rates.

Dividends payable increased 21% or P10 million mainly due to the increase in unclaimed dividends payable of the Group.

Long-term debt had a net increase of 9% or P6,306 million due to the availment of long-term loans of the Food segment and the Beer and NAB segment.

Other noncurrent liabilities increased 79% or P980 million mainly due to higher pension cost accrual as a result of the amendment of the retirement benefits plan.

Consolidated total equity as of December 31, 2021 amounted to P145,462 million, 10% or P13,643 million higher than as of December 31, 2020. The increase was primarily due to the net income amounting to P31,417 million which was offset by the dividends declared by the Group amounting P18,414 million.

2020 vs 2019

Consolidated total assets as of December 31, 2020 amounted to P276,282 million, 4% or P10,315 million higher than as of December 31, 2019. The increase was primarily due to expansion projects of the Group which was offset by improved collection of receivables and lower credit availment from dealers and direct outlets. Consolidated total liabilities as of December 31, 2020 amounted to P144,463 million, 18% or P21,677 million higher than in December 31, 2019. The increase was primarily due to the availment of long-term debt of the Food segment and the issuance of Peso bonds of the Parent Company, which was partially offset by the settlement of short-term loans by the Sprits segment.

Cash and cash equivalents was slightly higher by 2% or by P562 million due to the higher collection of the Spirits segment, and by the Food segment's availment of additional long term debt, which was partially offset by the Beer and NAB segment's additional investment in equity securities.

Trade and other receivables decreased 17% or P4,167 million primarily driven by lower sales volume, lower credit sales due to cash discounts provided, and improved collections. In addition, there was a decrease in receivables of the Beer and NAB segment due to lower credit purchases of its dealers and its directly served outlets.

Inventories increased 5% or P1,622 million due to higher inventory level in the Food segment brought about by purchases during harvest or buying season, lower usage of materials, timing of shipment and higher average cost of other raw and packaging materials, while the uptick in inventory of the Beer and NAB segment was due to lower withdrawals.

Prepaid expenses and other current assets decreased 5% or P346 million due to the Beer and NAB segment's utilization of tax credit certificates and decrease in input tax.

Investments increased by P4,742 million primarily due to the Beer and NAB segment's additional investment in equity securities.

Property, plant and equipment increased by 12% or P9,087 million mainly due to the expansion projects of the Food and Beer and NAB segments.

Right-of-use assets increased 1% or P39 million due to additional lease contracts recognized for PFRS 16, offset by amortization during the period.

Biological assets decreased 17% or P1,206 million due to closure of some farms of the Food segment impacted by the ASF.

Deferred tax assets increased 13% or P331 million due to the Food segment's recognition of deferred taxes.

Notes payable decreased 32% or P5,071 million mainly due to the Group's payment of short-term loans.

Trade payables and other current liabilities increased 9% or P4,658 million mainly due to the higher working capital requirements.

Lease liabilities increased 6% or P251 million due to additional lease contracts recognized under PFRS 16.

Income and other taxes payable decreased 7% or P452 million due to lower taxable income of the Beer and NAB segment.

Dividends payable increased 15% or P6 million mainly due to the increase in unclaimed dividends payable of the Group.

Long-term debt had a net increase of 50% or P22,446 million due to the availment of long-term loans of the Food segment and the issuance of Peso retail bonds of the Parent Company.

Other noncurrent liabilities decreased 11% or P161 million mainly due to the recognition of retirement benefits.

Consolidated total equity as of December 31, 2020 amounted to P131,819 million, 8% or P11,362 million lower than as of December 31, 2019. The decrease was primarily due to the net income amounting to P22,401 million which was offset by the dividends declared by the Group amounting P17,727 million and the redemption of the outstanding preferred shares of the Parent Company in 2020.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
(in Millions)	2021	2020	2019
Net cash flows provided by operating activities	P40,769	P42,553	P42,916
Net cash flows used in investing activities	(17,135)	(25,198)	(28,194)
Net cash flows used in financing activities	(19,518)	(16,184)	(17,326)

Net cash from operations basically consisted of income for the period and changes in non-cash current assets, certain current liabilities and others.

Net cash used in investing activities include the following:

	December 31		
(in Millions)	2021	2020	2019
Additions to investments, property, plant and equipment and investment property	(P10,874)	(P18,752)	(P18,506)
Increase in biological assets, intangible assets and other noncurrent assets	(6,660)	(6,462)	(10,648)
Proceeds from sale of investments and property and equipment	276	16	960
Dividends received	123	-	-

Net cash used in financing activities consist of the following:

	December 31		
(in Millions)	2021	2020	2019
Proceeds from short-term and long-term borrowings	P106,138	P126,586	P286,116
Payments of short-term and long-term borrowings	(105,518)	(109,287)	(283,337)
Cash dividends paid	(18,404)	(17,721)	(18,858)
Payments of lease liabilities	(596)	(750)	(1,331)
Share issuance costs	11	(38)	(6)
Increase (decrease) in non-controlling interests	(1,000)	-	90
Increase (decrease) in other non-current liabilities	(149)	26	-
Redemption of outstanding preferred shares	-	(15,000)	-

The effect of exchange rate changes on cash and cash equivalents amounted to P452 million, (P609) million and (P370) million for the periods ended December 31, 2021, 2020 and 2019, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company as at December 31, 2021 and 2020 is restricted in the amount of P182 million representing the cost of common shares held in treasury.

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the periods indicated below.

KPI	As of December 31, 2021	As of December 31, 2020
Liquidity:		
Current Ratio	1.49	1.22
Quick Ratio	0.81	0.68
Solvency:		
Debt to Equity Ratio	1.05	1.10
Asset to Equity Ratio	2.05	2.10
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	22.51%	15.09%
Interest Rate Coverage Ratio	13.14	9.07
Return on Assets	10.95%	8.26%

	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Operating Efficiency:		
Volume Growth	3.20%	(15.00%)
Revenue Growth	10.92%	(10.13%)
Operating Margin	14.11%	11.96%

The manner by which the Group calculates the above indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Current Assets – Inventory - Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity Attributable to Equity Holders of the Parent Company	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company**}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Return on Assets	$\frac{\text{Net Income***}}{\text{Average Total Assets}}$
Volume Growth	$\left[\frac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}}\right]-1$
Revenue Growth	$\left[\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right]-1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* *Annualized for quarterly reporting; excluding cash dividends paid to preferred shareholders*
** *Excluding preferred capital stock and related additional paid-in capital*
*** *Annualized for quarterly reporting*

VII. OTHER MATTERS

a) Declaration of Cash Dividends
On February 3, 2022, the Board of Directors of the Parent Company declared cash dividends to all common shareholders of record as of February 18, 2022 amounting to P0.40 per common share. Cash dividends for common shares was paid on March 3, 2022.

b) Contingencies
The Group is a party to certain lawsuits or claims filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

c) Commitments
The outstanding purchase commitments of the Group as at December 31, 2021 and 2020 amounted to P38,004 million and P31,515 million, respectively.

Amount authorized but not yet disbursed for capital projects is approximately P14,495 million and P11,597 million as at December 31, 2021 and 2020, respectively.

d) Foreign Exchange Rate
The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine Peso were closing rates of P50.999 and P48.023 in 2021 and 2020, respectively, for consolidated statements of financial position accounts; and average rates of P49.285, P49.624 and P51.790 in 2021, 2020 and 2019, respectively, for income and expense accounts.

e) Sales are affected by seasonality of customer purchase patterns. In the Philippines, food and alcoholic beverages, including those the Group produce, generally experience increased sales during the Christmas season. In addition, alcoholic beverages experience increased sales in the summer season, which typically slow down in the third quarter on account of rainy weather. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate significantly from quarter to quarter.

f) There are no unusual items as to the nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.

g) There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

h) There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

i) There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operations.

j) There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation, and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for "Contingencies" under this section that remain outstanding as at and for the period ended December 31, 2021.

k) There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended December 31, 2021.

Pale Pilsen
PHILIPPINES
San Miguel
Expertly Brewed Beer
Since 1890
Pale Pilsen
Bottled by
San Miguel Brewery
PHILIPPINES

Toasting progress

Celebrations have a lot more to do than just marking milestones. Every toast merits honor in its most intimate form. Capture success in its purest with quenching reassurance from an age-old tradition of merriment with gratitude. Let San Miguel Brewery lead the toast to more delightful successes.

■ BUSINESS REVIEW

SAN MIGUEL BREWERY INC.

In 2021, the Beer business delivered improved results from the prior year despite the continued challenges posed by the COVID-19 pandemic. With the easing of quarantine restrictions, coupled with company-initiated consumption-generating programs and direct-to-consumer initiatives, consolidated volumes improved year-on-year, though still lower than pre-pandemic levels.

The Beer and NAB business' consolidated revenue reached P116.28 billion, 8% higher than 2020. Domestic operations contributed P105.11 billion, while international operations contributed US$227 million.

Cost of sales increased 8% to P71.39 billion as of December 2021 with the higher sales volume of both domestic and international operations, and the increase in excise tax rate in the Philippines effective January 2020. Domestic operations accounted for P65.23 billion and international operations recorded US$125 million.

Consequently, income from operations rose to P26.92 billion, 10% higher than in 2020. Domestic operations contributed P25.22 billion, while international operations contributed US$34.62 million.

Despite the slower-than-expected and uneven pace of economic recovery due to COVID-19 and its impact to discretionary spending, the negative effects of periodic mobility restrictions, the selective reimposition of liquor bans in some of the Beer business' selling areas, and some weather disturbances, beer volumes moderately increased from 2020. NAB posted significant improvement attributed to increased availability and penetration in untapped areas.

On the other hand, its international operations, through San Miguel Brewing International Limited (SMBIL), registered US$ 227 million in consolidated revenue for the year 2021, 11% higher than last year as a result of the 8% increase in volumes.

In 2020, SMBIL made a strategic decision to rationalize and consolidate its China operations to improve profitability and efficiency. SMBIL ceased operations of its loss-generating unit, San Miguel Baoding Brewery Co. Ltd. (SMBB) in North China, and is currently undergoing the liquidation process. SMBIL did not renew, upon expiry, the joint venture agreement in Guangzhou San Miguel Brewery Co. Ltd. (GSMB), one of its two subsidiaries in Guangdong Province, in order to consolidate its sales, marketing and brewing functions into San Miguel Guangdong Brewery Co. Ltd. (SMGB) and to improve the cost structure and efficiency of operations in South China.

SMBIL's local and global San Miguel brands volumes increased 8% and 11%, respectively. Its Indonesia operations bounced back, posting a significant improvement in sales volumes that were driven by programs focused on wholesalers and distributors, as well as the market recovery in the latter part of 2021. SMBIL's Exports business sustained its volume growth momentum from 2020 despite the pandemic restrictions and issues affecting global shipping operations. SMBIL also benefitted from the additional volumes generated by its newly launched wheat ale, San Miguel Cerveza Blanca as well as growth driven by its programs in the modern trade off-premise channel in several markets. Meanwhile, South China, Hongkong, Vietnam and Thailand recorded declines due to the continued impact of the varying levels of COVID-19 restrictions which negatively affected the sales of beer, especially in the on-premise outlets in these markets.

SMBIL's consolidated operating income for the year 2021 was 41% higher than last year at US$ 35 million, mainly due to improved volumes and managed spending.

The Beer business remains optimistic about the future of its business, despite the impacts of the COVID-19 pandemic. Throughout its history, SMB has demonstrated its ability to maintain profitability through various strategic pivots and programs. Likewise, it continues to leverage on its strong brand equity, extensive portfolio, and broad distribution network throughout the Philippines.

Filling up a nation

We take inspiration from the labor of love that we dedicate to preparing every meal. From farm to table, through thick and thin, every plate is made more delectable by sharing it with those we love. Bring San Miguel Foods to the table for more delightful occasions.

■ BUSINESS REVIEW

SAN MIGUEL FOODS

San Miguel Foods unlocked new levels of agility and resilience, enabling a strong recovery for the group in 2021. Backed by a robust strategy that focused on innovation, capacity expansion, and efficiency in operations, the company delivered a banner year, with consolidated revenues of P151.0 billion, a 12% increase over the prior year and 8% better than pre-pandemic level in 2019.

Almost all businesses registered double-digit revenue growth, owing to better selling prices and higher volume, as the economy cautiously started to open.

Among the different businesses, the Protein and Animal Nutrition Business experienced the biggest turnaround, recovering from the impact of both the pandemic and African Swine Fever (ASF). Their performance reversed the losses incurred in 2020 at the height of the lockdowns, and even exceeded the company's pre-pandemic performance in 2019. From a significant drop in revenues and operating income in 2020, the segment posted a revenue growth of 13% and record profits, because of better pricing of its poultry products and efficient inventory management.

Meanwhile, the Prepared and Packaged Food Business sustained its growth momentum, with Purefoods Tender Juicy Hotdogs and Purefoods Chicken Nuggets leading the way, complemented by the growing sales of new products for health-conscious consumers.

The Flour business also gained new impetus from shifting its focus to the general trade even as institutional volumes gradually recovered.

Overall, the Food division's consolidated operating income more than doubled to P11.5 billion, while net income surged to P7.6 billion, a three-fold increase from 2020. EBITDA increased by 39% to P17.0 billion.

ANIMAL NUTRITION AND HEALTH

The Animal Nutrition and Health segment expanded by 12% owing to sustained volume increases of free-range fowl, layer, duck, and aquatic feeds.

Hog feeds, which had been constricted through the first three quarters of the year, finally showed a slight recovery in the fourth quarter as hog farms started to repopulate with the waning of ASF. For total year, however, hog feeds still posted a slight decline.

Meanwhile, the demand for broiler feeds which was weak in the first half of the year due to the heavy losses incurred by poultry raisers in 2020, made a substantial recovery in the second half with better supply of day-old chicks.

Free-range fowl feeds, layer, duck, and aqua feeds performed strongly on the back of intensive penetration activities, farm conversions, and aggressive market share grab. The superior quality of feeds coming from the company's newly built feed mills further boosted the brand's competitiveness in the market.

Augmenting the topline growth of the segment were our Animal Health Care products as well as Nutri Chunks dog food which benefited from an intensified product awareness campaign and continuous placement in pet shops, breeder associations, and other retail stores.

PROTEIN

The Protein segment, consisting of Magnolia Chicken and Monterey Meats businesses, generated revenue growth of 14%.

Overcoming the massive build-up of inventory and weak pricing caused by the pandemic-related market constriction in 2020, the business managed to turn things around in 2021. Through a deliberate expansion of market reach and opening of new distribution areas, the business was able to maintain a minimum level of inventory for the entire year, allowing chicken prices to recover. By the end of 2021, prices were back to pre-pandemic levels.

Poultry volumes also received a boost from the growing network of community-based, non-traditional selling channels as well as the gradual recovery of lechon manok and other foodservice outlets.

With the primary strategy of growing its value-added portfolio, Poultry launched Magnolia Chicken Timplados, marinated and ready to cook chicken dishes that offer convenient and tasty options to busy moms. New variants launched in 2021 include Spicy Wings, Oriental Wings, Inasal, Spicy Fried Chicken, Fried Drumsticks, Roasters Lemon Herb, and Roasters Smoked Pepper. While these marinated chicken products were previously produced in-store at Magnolia Chicken Stations, the new packaged Timplados are now more efficiently and consistently produced in Poultry's processing plants.

Meanwhile, Monterey Meats continued to benefit from favorable selling prices which compensated for the volume slowdown coming from the downsizing of operations.

PREPARED AND PACKAGED FOOD

Consolidated revenues of the Prepared and Packaged Food segment grew 6% from 2020, driven by the growth of value-added meats.

Purefoods-Hormel revenue increased by 10%, as focus on high-value products uplifted its portfolio mix. Core products, Purefoods Tender Juicy Hotdogs, Purefoods Nuggets, and Purefoods Bacon led the way by collectively posting above average growth.

Sales of canned products, which surged during the lockdowns in 2020, normalized in 2021, but still registered high double-digit growth vs. pre-pandemic level.

We continued to expand our footprint in the Ready-to-Eat market by driving the growth of our new products which give consumers easier-to-prepare meals as well as healthy value-added protein alternatives. Adding to the Ready-to-Eat product line, we launched Chicken Caldereta, Chicken Curry, Beef Mechado, and Pininyahang Manok. We also introduced Korean-inspired dishes under our plant-based ready-to-eat Veega line, particularly Bulgogi and Spicy Soy Garlic Balls as well as fully vegan versions of Tapa, Tocino, and Adobo Flakes.

WE CONTINUED TO EXPAND OUR FOOTPRINT IN THE READY-TO-EAT MARKET BY DRIVING THE GROWTH OF OUR NEW PRODUCTS WHICH GIVE CONSUMERS EASIER-TO-PREPARE MEALS AS WELL AS HEALTHY VALUE-ADDED PROTEIN ALTERNATIVES.

Purefoods Cheesy Corndog was introduced as a snack alternative, along with favorite fried viands Purefoods Pork Katsu, Chicken Katsu, Spicy Chicken Nuggets, Star Chick 'n Cheese Nuggets, and Purefoods Crispy Fried Chicken in Classic, Soy Garlic, Garlic Parmesan flavors.

Both the mainstay products and new product launches were supported by various advertising campaigns and consumer promotions. Complementing these was an extensive merchandising presence in the trade to reach consumers at point-of-sale.

Meanwhile, the dairy and spreads businesses which benefited from a surge during the lockdown, saw a 2% drop in revenue as interest in home baking waned with the easing of quarantine restrictions. Despite this, core brands Star, Dari Crème, Buttercup and Cheezee continued to grow. Volume was also boosted by the newly launched retail packs of Magnolia salad aids, namely Magnolia Real Mayonnaise, Magnolia Sandwich Spread, and Magnolia Creamy Chicken Spread, as consumers have shown a preference for their taste profile.

In the ice cream category, the strategy was to focus on the premium segment and deploy the Magnolia Gold Label line, with the inclusion of carabao's milk in all the flavors. In addition to the classic flavors, new flavors like Smores, Taro White Cheese, Tablea Yema, Mango Dark Chocolate, and Ube Keso were introduced.

In coffee, San Mig Sugar free posted significant growth, and to latch onto the trend towards premiumization, the business introduced Moccona Freeze Dried Instant Coffee, Moccona Cafè Style Coffee Mix, and L'OR Capsules, premium coffee brands of joint venture partner Jacob-Douwe Egberts (JDE).

Magnolia underwent a review of its portfolio in 2021, leading to a decision to rationalize underperforming products, particularly biscuits, jelly snacks, and cooking oil. Net of these products, the revenue of Magnolia would have registered a growth of 2%.

To bring our prepared and packaged food products closer to more Filipino households, we penetrated more sari-sari stores and community-based non-traditional channels throughout 2021. We also increased our presence in different e-commerce platforms to provide our consumers better access to their favorite products.

In order to facilitate the uphill climb to recovery in food service after the pandemic-induced slump in the channel, Great Food Solutions, the division's food service arm, heightened its customer engagement and provided continued support through virtual product ideation sessions and product launches that were aligned with the consumers' clamor for variety and healthy food. This strategy enabled GFS to introduce Veega into key accounts like S&R (for their healthy burger line and salads), 7-11 (for non-meat Veega Nuggets), Conti's (selected favorites made healthy with Veega) and in pioneering the non-meat burger offering of Zark's.

FLOUR

The Flour business capped the year with a strong revenue growth of 17%. Coupled with a gradual recovery of its institutional market, the business also focused on growing volumes in general trade. Volumes grew double-digit with an aggressive market share grab from competitors, and the recruitment of new dealers to carry its products in Visayas and Mindanao.

Mixing exciting frontiers

Whether it's business or pleasure or you're striving to turn dreams into reality, a great mix always refreshes. Life's sweeter things fuel an adventurous spirit, raised with the optimism of every glass. Let the explosion of cheer and the clinging of Ginebra San Miguel toasts lead to living your best.

1834
PREMIUM DISTILLED
GIN
PHILIPPINE BOTANICALS
40% ALC. BY VOL.
750 ML

GINEBRA SAN MIGUEL
GINEBRA SAN MIGUEL
700 mL

■ BUSINESS REVIEW

GINEBRA SAN MIGUEL INC.

Ginebra San Miguel Inc. (GSMI) approached 2021 with cautious optimism as the year continued to bear the repercussions and challenges from the COVID-19 pandemic that started the year before. The company operated with the same level of resilience and agility that carried it through 2020, thereby allowing it to successfully navigate through varying degrees of uncertainty.

As a result, GSMI had another stellar year, delivering a record performance for the second time in a row. Consolidated revenues amounted to P42.5 billion, 17% higher than the P36.2 billion reported in the same period in 2020. This was the result of volumes reaching an all-time high of almost 42 million cases, an 8% increase from 2020 and 17% higher than 2019 pre-pandemic levels.

Operating income grew 39% to P5.3 billion, while EBITDA, rose 26% to P6.3 billion during the period. Net income, on the other hand, jumped 52% to P4.2 billion, the highest net income in its history. This is also 150% higher than 2019 pre-pandemic levels.

In many ways, GSMI defied the norm of the pandemic where many corporate earnings were hit, especially for discretionary products, more so two years in a row. However, its overall financial performance is also a reflection of the quality of execution and dedication of its team—taking to heart the lessons learned at the beginning of the pandemic and capitalizing on opportunities.

One key factor to the company's sustained success is the strong brand equity of Ginebra San Miguel. Even at the height of the pandemic, investments in brand-building never wavered. It always ensured brand awareness was kept high and its campaigns remained relevant and attuned to sentiments at the time.

Its thematic campaign for flagship Ginebra San Miguel called "Bagong Tapang" resonated well amongst its consumers. Released just a day before 2021, communication centered on drawing a more intense kind of courage and resolve to go through these challenging times, while also emphasizing the need for unity, resilience, and hope. In recognition of the power of its messaging, it was awarded the grand prize of Kantar's Creative Effectiveness Award and was among the winners in Southeast Asia in the same category.

THE COMPANY OPERATED WITH THE SAME LEVEL OF RESILIENCE AND AGILITY THAT CARRIED IT THROUGH 2020.

For emerging brand GSM Blue, its latest marketing campaign "Choose What's True" highlighted the value of making authentic choices while Primera Light Brandy's "Salamats, Pri" was about being grateful for life's simple joys amidst the pandemic. Both ads were well-received and contributed to GSMI's total volume growth.

These campaigns were further supported by national and local consumer promos to help spur more consumption, aggressive market penetration activities for push brands and continued expansion of distribution channels throughout the year.

But apart from keeping its brands in the minds of consumers and its products available on shelves, GSMI also made operational adjustments to its supply chain to ensure that there were minimal disruptions in its bottling and distillery operations, second-hand bottle retrieval activities and raw material shipments.

All told, GSMI has emerged as a stronger and more resilient company since the pandemic began. And despite stronger headwinds ahead, it will endeavor to remain agile in its operations and strive harder to continue advancing its position in the hard liquor industry.

Board of Directors

As of December 31, 2021

Mr. Ramon S. Ang
Vice Chairman, President and Chief Executive Officer
Executive Director
Chairman, Executive Committee

Mr. Francisco S. Alejo III
Chief Operating Officer for Food
Executive Director
Member, Executive Committee

Mr. Roberto N. Huang
Chief Operating Officer for Beer
Executive Director
Member, Executive Committee

Mr. Emmanuel B. Macalalag
Chief Operating Officer for Spirits
Executive Director
Member, Executive Committee
(elected on June 2, 2021)

Mr. Ferdinand K. Constantino
Treasurer
Non-executive Director
Member, Audit Committee
Member, Board Risk Oversight Committee
Member, Related Party Transactions Committee
(elected on June 2, 2021)

Ms. Aurora T. Calderon
Non-executive Director
Member, Audit Committee

Mr. Joseph N. Pineda
Non-executive Director

Mr. Menardo R. Jimenez
Non-executive Director
Member, Board Risk Oversight Committee
Member, Corporate Governance Committee

Ms. Ma. Romela M. Bengzon
Non-executive Director

Mr. Francis H. Jardeleza
Non-executive Director

Mr. Carmelo L. Santiago†
(until expiry of his term on June 2, 2021)
Independent and Non-executive Director
Chairman, Related Party Transactions Committee
Member, Board Risk Oversight Committee
Member, Corporate Governance Committee
† Passed away on August 6, 2021

Mr. John Paul L. Ang (elected on June 2, 2021)
Non-executive Director

Ms. Minita V. Chico-Nazario†
Lead Independent and Non-executive Director
Chairperson, Corporate Governance Committee
Member, Related Party Transactions Committee
Member, Board Risk Oversight Committee
† Passed away on February 16, 2022

Mr. Ricardo C. Marquez
Independent and Non-executive Director
Chairman, Board Risk Oversight Committee
Member, Audit Committee
Member, Corporate Governance Committee

Mr. Cirilo P. Noel
Independent and Non-executive Director
Chairman, Audit Committee
Member, Related Party Transactions Committee
Member, Corporate Governance Committee
(elected on June 2, 2021)

Mr. Winston A. Chan
Independent and Non-executive Director
Chairman, Related Party Transactions Committee
(elected on June 2, 2021)
Member, Audit Committee
Member, Board Risk Oversight Committee
(elected on June 2, 2021)

Ramon S. Ang, Filipino, 68, was appointed President and Chief Executive Officer of the Company on July 5, 2018. He is also the Vice Chairman of the Company, a position he has held since May 13, 2011. He has been a director of the Company since May 22, 2001 and a member of the Company's Executive Committee (since April 25, 2002). He was a member of the former Executive Compensation Committee (from November 2013 to May 2017). He also holds, among others, the following positions: Vice Chairman, President and Chief Executive Officer of listed company San Miguel Corporation; Chairman, President, Chief Executive Officer and Chief Operating Officer of SMC Global Power Holdings Corp.; Chairman and President of Privado Holdings Corporation, San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc., San Miguel Infrastructure Corporation and San Miguel Energy Corporation; Chairman of listed companies Eagle Cement Corporation, San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange) and Petron Malaysia Refining and Marketing Bhd. (a company publicly listed in Malaysia), public company San Miguel Brewery Inc., and private companies San Miguel Yamamura Packaging Corporation, San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort Inc. and Manila North Harbour Port, Inc. He is also the President and Chief Executive Officer of listed companies Top Frontier Investment Holdings, Inc. and Petron Corporation, and private company Northern Cement Corporation; and President of listed company Ginebra San Miguel Inc. He is also the sole director of Master Year Limited (Cayman Islands). Mr. Ang holds a Bachelor's Degree in Mechanical Engineering from Far Eastern University, and a Doctorate in Business Engineering, Honoris Causa, from the same university.

Francisco S. Alejo III, Filipino, 73, was appointed Chief Operating Officer – Food on July 5, 2018. Before this appointment, he was the President of the Company (from May 2005 to July 2018). He has been an executive director of the Company since May 22, 2001 and a member of the Company's Executive Committee (since April 25, 2002). He was a member of the former Nomination and Hearing Committee (from May 2005 to May 2017). He also holds the following positions: Chairman of Golden Food Management, Inc., San Miguel Pure Foods (Vn) Co., Ltd., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., and San Miguel Foods International, Limited; President of San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc. and Magnolia Inc.; Director of listed company Ginebra San Miguel Inc. and private companies San Miguel Foods & Beverage International Limited (BVI) and San Miguel Foods Investment (BVI) Limited; and President Commissioner of PT San Miguel Foods Indonesia. Mr. Alejo holds a Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School.

Roberto N. Huang, Filipino, 73, was appointed Chief Operating Officer – Beer on July 5, 2018. He has been an executive director of the Company since January 9, 2019 and member of the Company's Executive Committee since February 6, 2019. Mr. Huang is Director and President of San Miguel Brewery Inc., a position that he has held since May 2009. He is also a member of San Miguel Brewery Inc.'s Executive Committee. He is likewise Director of San Miguel Brewing International Limited and San Miguel Brewery Hong Kong Limited; and Chairman and President of Iconic Beverages, Inc., Brewery Properties Inc. and Brewery Landholdings, Inc. Mr. Huang holds a Bachelor of Science Degree in Mechanical Engineering from Mapua Institute of Technology and completed academic requirements for a Master's Degree in Business Administration from De La Salle University.

Emmanuel B. Macalalag, Filipino, 56, was appointed Chief Operating Officer – Spirits on July 5, 2018. He has been an executive director of the Company since January 9, 2019 and member of the Company's Executive Committee since June 2, 2021. Mr. Macalalag is General Manager of Ginebra San Miguel Inc. (GSMI). He currently holds the following positions in the various subsidiaries and affiliate of GSMI: Director and General Manager of Distileria Bago, Inc. and East Pacific Star Bottlers Phils Inc., and Director of Agricrops Industries Inc., Crown Royal Distillers, Inc., Healthy Condiments, Inc., Thai San Miguel Liquor Company Limited and GSM International Holdings Limited. He previously held the following positions in GSMI: Manufacturing Group Manager and Manufacturing Operations Group Manager. Mr. Macalalag obtained his Bachelor of Science in Mathematics degree from De La Salle University (DLSU), Manila where he graduated cum laude. He also holds a Master's degree in Mathematics from DLSU and PhD degree in Operations Research from the University of Melbourne, Australia.

Ferdinand K. Constantino, Filipino, 70, was appointed Treasurer of the Company on July 5, 2018. He has been a non-executive director of the Company since January 9, 2019, and member of the Company's Board Risk Oversight Committee since February 6, 2019. Mr. Constantino is Director of San Miguel Brewery Inc., San Miguel Aerocity Inc. and San Miguel Foods International, Limited. He also holds, among others, the following positions: Group Chief Finance Officer and Treasurer of San Miguel Corporation; Director of Philippine Stock Exchange, Inc., Securities Clearing Corporation of the Philippines, and listed company Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia); President of Anchor Insurance and Brokerage Corporation; Director of San Miguel Yamamura Packaging Corporation, SMC Skyway Corporation, Clariden Holdings, Inc., San Miguel Holdings Corp., and Northern Cement Corporation; Director and Treasurer of San Miguel Equity Investments Inc.; and Chairman of San Miguel Foundation, Inc., SMC Stock Transfer Services Corporation, and San Miguel Integrated Logistics Services, Inc. Mr. Constantino holds a Bachelor of Arts Degree in Economics from the University of the Philippines and completed academic requirements for a Master's Degree in Economics from the University of the Philippines.

Aurora T. Calderon, Filipino, 67, has been a non-executive director of the Company since January 9, 2019, and member of the Company's Audit Committee since February 6, 2019. Ms. Calderon is the Senior Vice President-Senior Executive Assistant to the President and Chief Executive Officer of San Miguel Corporation (SMC). She is a member of the Corporate Governance Committee of SMC. She holds the following positions in other publicly listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of Petron Corporation, Petron Malaysia Refining and Marketing Bhd. (a company publicly listed in Malaysia) and Ginebra San Miguel Inc. She is the Chairman and President of East Pacific Star Bottlers Phils Inc., Agricrops Industries Inc. and Crown Royal Distillers, Inc. She is also a member of the board of directors of SMC Global Power Holdings Corp., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, and San Miguel Equity Investments Inc. She was formerly a Director of Vega Telecom, Inc. and Bell Telecommunications Philippines, Inc. A certified public accountant, Ms. Calderon graduated magna cum laude from the University of the East with a degree in BS Business Administration, major in Accountancy. She finished her Masters in Business Administration at Ateneo de Manila University (without thesis). In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries.

Joseph N. Pineda, Filipino, 59, has been a non-executive director of the Company since June 5, 2019. He is currently the Senior Vice President and Deputy Chief Finance Officer of listed company San Miguel Corporation; Chairman of SMC Shipping and Lighterage Corporation and Process Synergy, Inc.; and Director and Treasurer of San Miguel Holdings Corp., South Premiere Power Corp., SMC Stock Transfer Service Corporation, and SMITS, Inc. He serves as Director for Sea Refinery Corporation, Anchor Insurance Brokerage Corp., San Miguel Equity Investments Inc., SMC TPLEX Holdings Company, Inc., San Miguel Integrated Logistics Services, Inc., San Miguel Aerocity Inc. and Philippine Dealing System Holdings, Corp. He is also the Treasurer of San Miguel Energy Corporation, Strategic Power Devt. Corp. and San Miguel Northern Cement, Inc. Mr. Pineda holds a Bachelor of Arts Degree in Economics from San Beda College and took Masters in Business Administration units in De La Salle University.

Menardo R. Jimenez, Filipino, 89, has been a non-executive director of the Company since April 25, 2002. He is a member of its Board Risk Oversight Committee (since May 12, 2017) and Corporate Governance Committee (since February 6, 2019). He was previously a member of its Audit Committee (from June 2008 to February 2019) and Related Party Transactions Committee (from May 2017 to February 2019). He was Chairman of the former Executive Compensation Committee (from May 2006 to May 2017) and Nomination and Hearing Committee (from November 2013 to May 2017). Mr. Jimenez is a Director of listed company San Miguel Corporation and private company Magnolia Inc. He is the Chairman of several Philippine companies, including Majent Management and Development Corporation, Coffee Bean and Tea Leaf Holdings, Inc., Dasoland Holdings Corporation, Menarco Property Development & Management Corporation, and Meedson Properties Corporation. He was previously Chairman of United Coconut Planters Bank (from 2011 to 2017). Mr. Jimenez holds a Bachelor's Degree in Commerce from Far Eastern University and is a Certified Public Accountant. Among others, he was conferred Doctorates in Business Management Honoris Causa by University of Pangasinan and Pamantasan ng Lungsod ng Maynila.

Ma. Romela M. Bengzon, Filipino, 61, has been a non-executive director of the Company since May 11, 2018. Atty. Bengzon is currently a director of private company Petron Marketing Corporation. She was previously a director of Petron Corporation, Webforge Philippines, Diezmo Realty Inc. and Geonobel Philippines. She is Managing Partner of the Bengzon Law Firm. Atty. Bengzon holds a Bachelor of Arts Degree in Political Science from University of the Philippines and a Bachelor of Laws Degree from Ateneo de Manila University School of Law. She is also a member of the New York State Bar and a graduate of the Harvard Business School Officers and President Management (OPM) Program 51.

Francis H. Jardeleza, Filipino, 72, has been a non-executive director of the Company since August 5, 2020. He is also currently a director of listed companies Ginebra San Miguel Inc. and Petron Corporation. He is likewise an incumbent director of MORE Electric and Power Corporation and was a director of EastWest Bank from April 2021 to January 2022. Mr. Jardeleza is a retired Associate Justice of the Supreme Court (from August 2014 to September 2019) and former Solicitor General of the Philippines (from February 2012 to August 2014). Prior to the several positions he held in public service, Mr. Jardeleza was the Senior Vice President and General Counsel of San Miguel Corporation (from 1996 to 2010). Mr. Jardeleza holds a Bachelor of Arts, Major in Political Science, and a Bachelor of Laws Degree from the University of the Philippines. He also completed the Master of Laws Program at Harvard Law School.

Carmelo L. Santiago†, Filipino, who passed away on August 6, 2021, was an independent and non-executive director of the Company from August 12, 2010 to June 2, 2021. He was the Chairman of the Company's Related Party Transactions Committee (from February 6, 2019 to June 2, 2021) and a member thereof (from May 12, 2017 to June 2, 2021). He was also a member of the Company's Board Risk Oversight Committee and Corporate Governance Committee, both from May 12, 2017 to June 2, 2021. Previous to these positions, Mr. Santiago served as the Chairman of the Audit Committee (from November 2013 to February 2019), Chairman of the former Nomination and Hearing Committee (from May 2011 to May 2017) and member of the former Executive Compensation Committee (from June 2008 to May 2017). He was an Independent Director of public company San Miguel Brewery Inc.; and Director of Terbo Concept, Inc. and Aurora Pacific Economic Zone and Freeport Authority. He was also an Independent Non-Executive Director of San Miguel Brewery Hong Kong Limited. Mr.

Santiago was the Founder and Chairman of Melo's Chain of Restaurants and the Founder of Wagyu Restaurant. Mr. Santiago obtained a Bachelor's Degree in Business Administration from University of the East.

John Paul L. Ang, Filipino, 42, is a non-executive director of the Company since June 2, 2021. He is a director of listed companies Petron Corporation (since March 9, 2021) and San Miguel Corporation (since January 21, 2021), and holds the following positions in listed company Eagle Cement Corporation: President and Chief Executive Officer (since 2008), Director (since 2010), Chairman of its Executive Committee (since 2017) and member of its Audit Committee (since 2020). He was a member of Eagle Cement Corporation's Nomination and Remuneration Committee (from February 13, 2017 to July 15, 2020). He is likewise the President and Chief Executive Officer of South Western Cement Corporation (since 2017) and Director of KB Space Holdings, Inc. (since 2016). Mr. Ang holds a Bachelor of Arts Degree from Ateneo de Manila University.

Minita V. Chico-Nazario†, Filipino, was an independent and non-executive director of the Company until her demise on February 16, 2022. She held these positions since May 8, 2015. She was also Chairman of the Company's Corporate Governance Committee (since May 12, 2017) and member of the Related Party Transactions Committee (since May 12, 2017), and Board Risk Oversight Committee (since February 6, 2019). Previous to these positions, she was a member of the Company's Executive Committee and Audit Committee (from May 2015 to February 2019). Justice Nazario was likewise an Independent Director of listed companies Top Frontier Investment Holdings, Inc. and Ginebra San Miguel Inc., and private company San Miguel Properties, Inc.; and Director of Philippine Grains International Corporation and Mariveles Grain Corporation. She was also a Legal Consultant of United Coconut Planters Bank and Tan Acut Lopez & Pison Law Offices. She was also the Dean of the College of Law of the University of Perpetual Help System DALTA in Las Piñas City. She served the Judiciary in various capacities for 47 years, with the last position she held being Associate Justice of the Supreme Court (from February 2004 to December 2009). Justice Nazario obtained a Bachelor of Arts and a Bachelor of Laws Degree from University of the Philippines and is a member of the New York State Bar.

Ricardo C. Marquez, Filipino, 61, has been an independent and non-executive director of the Company since March 16, 2017. He is also Chairman of the Company's Board Risk Oversight Committee (since May 12, 2017) and a member of the Company's Audit Committee (since March 16, 2017) and Corporate Governance Committee (since May 12, 2017). He was previously a member of the Related Party Transactions Committee (from May 2017 to February 2019). Gen. Marquez is likewise currently an Independent Director of listed companies Eagle Cement Corporation and Top Frontier Investment Holdings, Inc., and a member of the Board of Trustees of the Public Safety Mutual Benefit Fund, Inc. Gen. Marquez held several positions in the Philippine National Police (PNP) before he became Chief of the PNP from July 2015 to June 2016. Gen. Marquez holds a Bachelor of Science Degree from the Philippine Military Academy, and a Masters in Management Degree from Philippine Christian University.

Cirilo P. Noel, Filipino, 65, has been an independent and non-executive director of the Company since September 12, 2018. He is the Chairman of the Audit Committee since February 6, 2019 and member thereof since September 12, 2018. He is also a member of the Related Party Transactions Committee since February 6, 2019 and the Corporate Governance Committee since June 2, 2021. Mr. Noel currently serves as Director of LH Paragon Group, Amber Kinetics Holding Co., Transnational Diversified Corporation, Eton Properties, Inc. and Golden ABC, and listed companies Globe Telecom, Inc., Robinsons Retail Holdings, Inc. and First Philippine Holdings Corporation. He is also Chairman of Palm Concepcion Power Corporation and a member of the Board of Trustees of St. Luke's Medical Center-Quezon City, St. Luke's Medical Center of College of Medicine and St. Luke's Medical Center Foundation, Inc. Mr. Noel is affiliated with the Makati Business Club and Harvard Club of the Philippines. He was a former member of the ASEAN Business Club and a former Trustee of the SGV Foundation. He held various positions in SGV & Co., the last of which was Chairman and Managing Partner (from February 2010 to June 2017). A lawyer and certified public accountant, Mr. Noel holds a Bachelor of Science Degree in Business Administration from University of the East, a Bachelor of Laws Degree from Ateneo de Manila University School of Law and a Masters Degree in Law from Harvard Law School. He is also a fellow of the Harvard International Tax Program and attended the Management Development Program at the Asian Institute of Management.

Winston A. Chan, Filipino, 66, is an independent and non-executive director of the Company, as well as a member of the Company's Audit Committee since February 6, 2019. Since June 2, 2021, he is also the Chairman of the Company's Related Party Transactions Committee. He is currently an Independent Director of listed company Leisure & Resorts World Corporation, a member of the Audit Committee of PT Delta Djakata Tbk, and a Director of private companies Kairos Business Solutions, Inc. and DataOne Asia (Philippines), Inc. In the last five years, Mr. Chan served as Member of the Board of Directors of Letran Alumni Association (January 2018 to July 2019), Advisor to the Board of Directors of listed company 2GO Group, Inc. (January to October 2018), Chairman of the ICT Scholarship Committee of SGV Foundation (July 2002 to June 2017), and held the following positions in SGV & Co.: Management Committee Member and Managing Partner, Advisory Services, (July 2007 to June 2017) and Advisory Committee Member (July 2016 to June 2017). He was also Asia Coordinating Partner for EY Global 360 Accounts: Procter & Gamble, Bayer, Goodyear Tires and Sony (July 2007 to June 2017). Mr. Chan holds a Bachelor of Science Degree in Accountancy from Colegio de San Juan de Letran, and is a Certified Information Systems Manager, a Certified Information Systems Auditor, and a Certified Public Accountant. He also completed the Advanced Management Program at Harvard Business School, the Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at Asian Institute of Management.

▪ Key Executives

Ramon S. Ang
Vice Chairman, President and Chief Executive Officer

Francisco S. Alejo III
Chief Operating Officer – Food

Roberto N. Huang
Chief Operating Officer – Beer

Emmanuel B. Macalalag
Chief Operating Officer – Spirits

Ferdinand K. Constantino
Treasurer

Ildefonso B. Alindogan
Vice President, Chief Finance Officer and Chief Strategy Officer

Alexandra Bengson Trillana
Corporate Secretary, Compliance Officer and General Counsel

▪ Corporate Governance

San Miguel Food and Beverage, Inc., formerly San Miguel Pure Foods Company Inc. ("the Company") recognizes that good governance helps the business to deliver strategy, generate and sustain shareholder value and safeguard shareholders' rights and interests. The Company's Board of Directors, management and employees adhere to the highest standards of corporate governance as a vital component of sound business management.

The Company, together with its intermediate parent San Miguel Corporation (SMC), has adopted a Manual on Corporate Governance that is aligned with the new Code of Corporate Governance for Publicly-Listed Companies issued by the Securities and Exchange Commission (SEC) in November 2016 (the "New CG Code"). The Company's Board of Directors, led by its Vice Chairman, Mr. Ramon S. Ang, believes in conducting its business affairs in a fair and transparent manner and in maintaining the highest ethical standards in all the Company's business dealings.

The Company continues to review and strengthen its policies and procedures, giving due consideration to areas that, for the best interests of the Company and its stockholders, need further improvement.

BOARD OF DIRECTORS

Compliance with the principles of good corporate governance starts with the Company's Board of Directors (the "Board"), who believes in conducting the affairs of the Company in a fair and transparent manner and in maintaining the highest ethical standards in all the Company's business transactions. The members of the Board, as well as the senior management of the Company and key finance personnel, have undergone the requisite training on corporate governance, which embraces anti-corruption training.

The Board is primarily responsible for promoting the Company's long-term growth and success and determining its mission, strategy and objectives. It is the Board's responsibility to secure and maintain the Company's competitive edge in a manner consistent with its fiduciary duties. Directors actively participate on a fully informed basis, in good faith, with due diligence and care, and in the best interests of the Company, its shareholders and other stakeholders during Board and Committee meetings. They seek clarification and provide their inputs on matters taken up at the meetings. They give recommendations when necessary or appropriate to protect the interests of the Company and its stakeholders. The Company has no shareholder agreements, provisions in its by-laws, or other arrangements that constrain the directors' ability to vote independently. Neither does the Company have voting trust agreements, confidentiality agreements and such other agreements that may impact the control, ownership and strategic direction of the Company. Directors with material interest in a transaction affecting the Company are required to abstain from taking part in the deliberations for the approval of the transaction.

In this connection, the Board exercises oversight responsibilities on the business affairs of the Company, reviews and approves the Company's financial statements, and ensures the presence of adequate and effective internal control mechanisms in the Company to manage business risk, as well as potential conflict of interest of management, the Board and the shareholders. The directors consider that the Company's financial statements have been prepared in conformity with the Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of management and the Board with an appropriate consideration to materiality.

Composition and Qualification

The Board consists of 15 members who hold at least one share each in the capital stock of the Company. All 15 incumbent directors of the Company are proven to possess integrity and probity in addition to the other qualifications of a director specified in the Company's Manual on Corporate Governance. Directors are elected by the stockholders with voting rights during the Annual Stockholders' Meetings (ASM), or in case a vacancy occurs in the Board other than by removal or expiration of term, by the vote of at least a majority of the remaining directors, if still constituting a quorum. The Board members hold office for one year and until their successors are duly elected and qualified in accordance with the Company's By-laws and applicable laws and regulations. A director elected to fill a vacancy, however, serves only for the unexpired term of the predecessor in office.

A process of selection to ensure a mix of competent directors aligned with the Company's strategic directions is implemented. The broad range of skills, expertise and experience of the directors in the fields of business, finance, accounting and law ensures comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests. More than 50% of the Board of Directors of the Company is comprised of non-executive directors. The Company's orientation program for new or first time directors, wherein such directors are given an overview of the Company, including the Company's history, business, the industry and categories it participates in, product portfolio, brands, corporate structure, its Articles of Incorporation and By-laws (including the Company's ASM and Board meeting schedules), operations and plans of its businesses, financial performance, core value, vision and strategic thrusts, Board Committees, key management and other relevant matters necessary and desirable to enable the new director to contribute effectively in Board meetings and faithfully fulfill his/her duties and responsibilities to the Company, ensures meaningful discussion and participation of the Board in the governance of the Company. Copies of the Company's Manual on Corporate Governance, Charter of the Board of Directors, Code of Business Conduct and Ethics, Cash Dividend Policy, Policy on Securities Dealing, Conflict of Interest Policy, Related Party Transactions Policy, Personal Data Privacy Policy, Whistle-Blowing Policy, Group Policy on Solicitation or Acceptance of Gifts, and Board Diversity Policy are also provided to the new director, for his/her guidance. In this regard, while a new director orientation briefing was conducted on October 30, 2020 for Justice Francis H. Jardeleza, who was elected to the Board of Directors on August 5, 2020, the Company did not elect a first time director in 2021.

Independent and Non-Executive Directors

Mr. Carmelo L. Santiago†, retired Justice Minita V. Chico-Nazario†, retired Gen. Ricardo C. Marquez, Mr. Cirilo P. Noel and Mr. Winston A Chan served as independent and non-executive directors of the Company in 2021. Mr. Santiago, however, was no longer re-elected as independent director during the ASM on June 2, 2021 pursuant to SEC Memorandum Circular No. 4, Series of 2017, which bars the re-election of an independent director who has served as such in the same company for a maximum cumulative term of nine years. Hence, by the end of the fiscal year on December 31, 2021, four out of the 15 incumbent members of the Board were independent directors.

The Company is therefore compliant with the Revised Corporation Code, which requires corporations vested with public interest to have independent directors constituting at least 20% of its board of directors. Moreover, one of such independent directors, retired Justice Minita V. Chico-Nazario, who served as such until her demise on February 16, 2022, was female. All the independent directors of the Company have no ties to its management and substantial shareholders.

The Company defines an independent director as a director who, apart from their fees (if any) and shareholdings, has no business or relationship with the Company, which could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as a director. Among others, independent directors have the power and authority to review related party transactions entered into by the Company at any time.

The independent directors of the Company are nominated and elected in accordance with the rules of the SEC. Accordingly, with the New CG Code taking effect as of January 1, 2017, an independent director may serve as such for a maximum cumulative term of nine (9) years. After which, the independent director, will be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. However, in the instance that the Company would want to retain an independent director who has served for nine years, the Board should provide meritorious justification and seek shareholders' approval during the ASM.

Further, in business conglomerates such as the San Miguel Group of which the Company is a part, an independent director may be elected as such to only five corporations of the conglomerate.

Pursuant to these rules, each independent director of the Company issues and submits to the Corporate Secretary for filing with the SEC together with the Definitive Information Statement for the ASM, a certification confirming that he/she possesses all the qualifications and none of the disqualifications of an independent director at the time of his/her election and/or re-election.

Moreover, in observance of the New CG Code, the non-executive directors of the Company shall concurrently serve as directors up to a maximum of five publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge management's proposals and views, and oversee the long-term strategy of the Company.

As the non-executive directors deem necessary, they shall hold separate periodic meetings with the external auditor and heads of the internal audit group, compliance and risk functions, without the executive directors present to ensure that proper checks and balances are in place within the Company. The meetings shall be chaired by the lead independent director. In this regard, such meeting of the non-executive directors, chaired by lead independent director Minita V. Chico-Nazario, was held on February 3, 2021.

The Chairman, Lead Independent Director and the President

Upon the untimely demise on June 16, 2020 of Mr. Eduardo M. Cojuangco, Jr., who served as Chairman of the Board since May 22, 2001, the Company has kept the position of Chairman vacant. Mr. Ramon S. Ang is the Vice Chairman of the Board of Directors of the Company. At the organizational meeting on June 2, 2021, Ms. Minita V. Chico-Nazario† was appointed by the Board as lead director from among the Company's independent directors, granting her the authority to lead the Board in cases where management had clear conflicts of interest.

The former Chairman is not the current or immediate past Chief Executive Officer of the Company. The President and Chief Executive Officer of the Company is Mr. Ramon S. Ang. The respective roles of Chairman and President are clearly defined in the Company's Manual on Corporate Governance and By-laws, to ensure independence, accountability, and responsibility in the discharge of their duties. The performance of the President is assessed by the Board on an annual basis. The annual compensation of the President and the top four senior executives of the Company are provided in the Definitive Information Statement distributed to shareholders prior to the ASM. The Chairman attended the 2019 ASM of the Company, while the Vice Chairman and President attended the last three ASMs of the Company held in 2019, 2020 and 2021.

The Corporate Secretary

To assist the directors in the discharge of their duties, the directors have access to the Corporate Secretary and Assistant Corporate Secretary, who both serve as legal counsel to the Board of Directors. The Corporate Secretary, Atty. Alexandra Bengson Trillana, likewise the Compliance Officer of the Company, holds the position of Vice President. She keeps the Board updated on relevant statutory and regulatory developments. The Corporate Secretary communicates with the Board, management, the Company's shareholders, and the investing public. In this regard, the Corporate Secretary assists the Chairman in the preparation of the agenda of Board and shareholder meetings, taking into account the suggestions of the President, management and other directors.

Board Performance

The Board holds regular meetings on a quarterly basis to review and approve the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the quarter just ended, and an organizational meeting immediately following the adjournment of the ASM for the election of the Company's key corporate officers and senior management led by the President of the Company and the heads of the other control functions (i.e., Chief Finance Officer, Compliance Officer, internal audit group head), Board Committee members, lead independent director, and trustees of the Company's retirement fund, as well as the designation of the Company's authorized signatories and signing limits for banking and other corporate transactions. Board meetings of the Company are scheduled before the beginning of the year. Particularly, during the last regular meeting of the

year, the Board sets the dates for its regular and organizational meetings for the succeeding year. The Board may also hold special meetings for the transaction of such other business as shall properly come before it, such as to approve the declaration of dividends among others, in accordance with the Company's By-laws. Notices of Board and Committee meetings, including the agenda and other board papers or materials for the meetings, are prepared and provided at least five working days in advance of the Board or Committee meeting, as the case may be, in order for the directors to review and study such meeting materials. Further, the directors ask the necessary questions or seek clarifications and explanations if called for during the meetings.

In 2021, the Board held six meetings. Set out below is the record of attendance of the directors in these meetings, and at the ASM.

	Date of Board Meeting, All in Year 2021					
DIRECTOR	**Feb. 3**	**Mar. 10**	**May 5**	**June 2**	**Aug. 4**	**Nov. 10**
Ramon S. Ang *Director, Vice Chairman* *President and Chief Executive Officer*	Present	Present	Present	Present	Present	Present
Francisco S. Alejo III *Director, Chief Operating Officer - Food*	Present	Present	Present	Present	Present	Present
Roberto N. Huang *Director, Chief Operating Officer - Beer*	Present	Present	Present	Present	Present	Present
Emmanuel B. Macalalag *Director, Chief Operating Officer - Spirits*	Present	Present	Present	Present	Present	Present
Ferdinand K. Constantino *Director, Treasurer*	Present	Present	Present	Present	Present	Present
Aurora T. Calderon *Director*	Present	Present	Present	Present	Present	Present
Joseph N. Pineda *Director*	Present	Present	Present	Present	Present	Present
Menardo R. Jimenez *Director*	Present	Present	Present	Present	Present	Present
Ma. Romela M. Bengzon *Director*	Present	Present	Present	Present	Present	Present
Francis H. Jardeleza *Director*	Present	Present	Present	Present	Present	Present
John Paul L. Ang *Director* (First elected June 2, 2021)	N/A	N/A	N/A	Present	Absent	Present
Carmelo L. Santiago† *Independent Director* (Term up to June 2, 2021)	Present	Present	Absent	N/A	N/A	N/A
Minita V. Chico-Nazario† *Independent Director*	Present	Present	Present	Present	Present	Present
Ricardo C. Marquez *Independent Director*	Present	Present	Present	Present	Present	Present
Cirilo P. Noel *Independent Director*	Present	Present	Present	Present	Present	Present
Winston A. Chan *Independent Director*	Present	Present	Present	Present	Present	Present

DIRECTOR	Date of Stockholders' Meeting, in 2021 June 2
Ramon S. Ang *Director, Vice Chairman*	Present
Francisco S. Alejo III *Director*	Present
Roberto N. Huang *Director*	Present
Emmanuel B. Macalalag *Director*	Present
Ferdinand K. Constantino *Director*	Present
Aurora T. Calderon *Director*	Present
Joseph N. Pineda *Director*	Present
Menardo R. Jimenez *Director*	Present
Ma. Romela M. Bengzon *Director*	Present
Francis H. Jardeleza *Director*	Present
John Paul L. Ang *Director*	Present
Minita V. Chico-Nazario† *Independent Director*	Present
Ricardo C. Marquez *Independent Director*	Present
Cirilo P. Noel *Independent Director*	Present
Winston A. Chan *Independent Director*	Present

An annual performance assessment is conducted by the Company with the intention of appraising and improving the performance of the Board as a governing unit, the individual directors including the Chairman, the different Board Committees, as well as the President, in accordance with the Company's Manual on Corporate Governance. In this regard, the results of the assessment for the year 2021 were deliberated on by the Board at its meeting on May 4, 2022.

In further compliance with the Company's Manual on Corporate Governance, which provides that the Board assessment should be supported by an independent third party facilitator every three years, the Company engaged Good Governance Advocates and Practitioners of the Philippines (GGAPP), an organization of governance, ethics and compliance professionals, to conduct the 2021 annual performance assessment of the Board and key officers of the Company. GGAPP sent each of the directors a Board Evaluation Form, which is divided into five sections or criteria, namely, the Collective Board Rating, Board Committees, Individual Director's Self-Rating, Officers' Rating, and the Overall Comments and Suggestions, with an explanation of the rating process. The accomplished Evaluation Forms were received by GGAPP on December 10, 2021. The results of such assessment will be reported at a succeeding Board meeting.

The Company has made the GGAPP Certification, as well as the Board Evaluation Form, available at its corporate website for viewing.

At the meeting on November 10, 2021, the last Board meeting for the year, as part of the nomination and election process for directors, which the Board assessed as effective, the Company disclosed the date of the 2022 ASM and invited stockholders who wish to nominate candidates to the Board, to submit the names of their nominees not later than January 31, 2022 to the Corporate Secretary at the 4th Floor, 100 E. Rodriguez Jr. Avenue (C5 Road), Barangay Ugong, Pasig City, for the consideration of the Chairman and the Corporate Governance Committee.

Board Committees

To assist the Board in ensuring strict compliance with the principles of good corporate governance, the Board created several Committees.

Executive Committee. The Executive Committee is currently composed of the four executive directors of the Company, including the President and Chief Executive Officer. Mr. Ramon S. Ang is the Chairman of the Committee.

The Committee is tasked to help and assist the officers of the Company in the management and direction of the affairs of the Company. It acts within the powers and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, with the exception of the power to appoint any entity as general managers or management or technical consultants, to guarantee obligations of other corporations in which the Company has lawful interest, to appoint trustees who, for the benefit of the Company, may receive and retain such properties of the Company or entities in which it has interests, and to perform such acts as may be necessary to transfer ownership of such properties to trustees of the Company, and such other powers as may be specifically limited by the Board or by law.

In 2021, the Executive Committee held two meetings to approve certain corporate transactions, which were later presented to the Board at the regular meetings immediately following the Committee meetings, for ratification.

The full text of the Executive Committee Charter, approved by the Board of Directors on March 9, 2022, may be viewed at the Company's corporate website.

Corporate Governance Committee. The Corporate Governance Committee is currently composed of four non-executive directors, three of whom are independent directors. Retired Justice Minita V. Chico-Nazario† was the Chairperson of the Committee until her demise on February 16, 2022. Atty. Virgilio S. Jacinto is the Advisor.

The Corporate Governance Committee is tasked to ensure the Company's compliance and proper observance of corporate governance principles and practices. It oversees the implementation of the Company's corporate governance framework and the performance evaluation of the Board and its Committees, as well as top management, to ensure that management's performance is at par with the standards set by the Board. The Committee advises the Board on the establishment of a formal and transparent procedure for developing policy on remuneration of directors and senior management that is aligned with the long-term interests of the Company, ensuring that compensation is consistent with the Company's culture and strategy, as well as the business environment in which it operates. It likewise reviews and oversees the implementation of policies relating to business interest disclosures and conflict of interest, appointments and promotions of officers, and succession planning. Further, the Committee determines the nomination and election process for the Company's Board of Directors, and screens and shortlists candidates to the Board in accordance with the qualifications and disqualifications for directors defined in the Company's By-laws, Manual on Corporate Governance, applicable laws and regulations.

In 2021, the Corporate Governance Committee held two meetings. In one meeting, the Committee deliberated on the qualifications of nominees for election to the Board of Directors at the ASM on June 2, 2021, for further endorsement to the Board. In its deliberations, the Committee determined that the specific skills or expertise that the Board of Directors should possess to achieve the Company's strategies have been met. In the other meeting, the Committee approved the 2020 Integrated Annual Corporate Governance Report (I-ACGR) of the Company, which the Committee further endorsed to the Board for approval to submit to the SEC and PSE within the prescribed period.

In order to assess and improve the performance of the Corporate Governance Committee, self-assessment worksheets were distributed to the members of the Committee at the meeting on November 10, 2021 for them to accomplish pursuant to the Corporate Governance Committee Charter previously adopted by the Committee and approved by the Board, in compliance with SEC guidelines. The Committee members were given until December 10, 2021 to return the accomplished self-assessment worksheets to the office of the Compliance Officer, for tabulation of results and reporting at a subsequent meeting. In this regard, the results of the assessment for the year 2021 were deliberated on by the Committee at its meeting on May 4, 2022.

The Company has made such self-assessment worksheet available at its corporate website for viewing.

The full text of the Corporate Governance Committee Charter may also be viewed at the Company's corporate website.

Audit Committee. The Audit Committee is currently composed of five members. All members are non-executive directors, three (or a majority) of whom are independent directors. All Committee members have relevant background, knowledge, skills or experience in the areas of accounting, auditing and finance. Independent Director Cirilo P. Noel is the Chairman of the Committee. He is not the Chairman of any other Board Committee. The Chairman attended the last three ASMs of the Company in 2019, 2020 and 2021.

The Audit Committee is responsible for assisting the Board in the performance of its oversight responsibility on financial reports and financial reporting process, internal control system, audit process and plans, directly interfacing with internal and external auditors, and in monitoring and facilitating compliance with both the internal financial management manual and pertinent accounting standards, including regulatory requirements, elevating to international standards the accounting and auditing processes, practices and methodologies of the Company. The Committee performs financial oversight management functions, specifically in the areas of credit management, markets liquidity, operational, legal and other risks, as well as crisis management.

The Audit Committee has the primary responsibility for recommending the appointment and removal of the Company's external auditor.

The Audit Committee held four meetings in 2021. In these meetings, the Committee reviewed, affirmed the truth and fairness of the financial statements and reports of the Company, and approved the Company's 2020 Separate and Consolidated Audited Financial Statements as prepared by the external auditor, as well as the Company's unaudited financial statements for the first, second and third quarters of the year 2021. Further, the Audit Committee monitored, reviewed and confirmed the sufficiency and effectiveness of the Company's internal control systems on the basis of the regular reports of its internal audit group. The Committee also endorsed for the approval of the Board, the 2021 Audit Plan of external Auditor R.G. Manabat & Co. for the Company and its subsidiaries; and the 2021 Consolidated Internal Audit Plan and 2021 Consolidated Outsourcing Plan.

The Compliance Officer, on the other hand, kept the Audit and Corporate Governance Committees, as well as the Board of Directors, updated on the latest developments in regulatory and corporate governance requirements, as the case may be, by means of reports during Committee and Board meetings.

In order to assess and improve the performance of the Audit Committee, self-assessment worksheets were distributed to the members of the Committee at the meeting on November 10, 2021 for them to accomplish pursuant to the Audit Committee Charter previously adopted by the Committee and approved by the Board, in compliance with SEC guidelines. The Committee members were given until December 10, 2021 to return the accomplished self-assessment worksheets to the office of the Compliance Officer, for tabulation of results and reporting at a subsequent Audit Committee meeting. In this regard, the results of the assessment for the year 2021 were deliberated on by the Committee at its meeting on May 4, 2022.

The Company has made such self-assessment worksheet available at its corporate website for viewing.

The full text of the Audit Committee Charter may likewise be viewed at the Company's corporate website.

Related Party Transactions Committee. The Related Party Transactions Committee is currently composed of four members. All members are non-executive directors, three (or a majority) of whom are independent directors. Independent Director Winston A. Chan is the Chairman of the Committee.

The Related Party Transactions Committee is tasked to review all material related party transactions ("RPTs") of the Company to make certain that these are entered into, as a matter of policy, on an arms-length basis and at market rates. It shall evaluate existing relations between and among businesses and counterparties to ensure the identification of all related parties, including changes in relationships of counterparties, and that RPTs are monitored. The Committee is responsible for ensuring that appropriate disclosures are made relating to the Company's RPT exposures and policies on conflict of interest. It shall also oversee the periodic review of RPT policies and procedures.

In 2021, in view of the Related Party Transactions Policy of the Company (the "RPT Policy") to comply with SEC Memorandum Circular No. 19, series of 2019, the Committee held only one meeting. In the meeting, the summary of related party transactions and outstanding receivable and payable balances as of December 31, 2020 was presented to the Committee. The Committee then reported to the Board of Directors at the meeting held later in the same day, that none of the transactions met the threshold (which is a transaction either individually, or in aggregate over a 12-month period from the first transaction, with the same related party, amounting to at least 10% of the Company's total consolidated assets based on its 2019 audited financial statements) to be considered a material related party transaction for disclosure in accordance with the RPT Policy. Moreover, all these transactions were confirmed to have been conducted on an arms-length basis and at market rates.

In order to assess and improve the performance of the Related Party Transactions Committee, self-assessment worksheets were distributed to the members of the Committee after the Board meeting on November 10, 2021 for them to accomplish pursuant to the Related Party Transactions Committee Charter previously adopted by the Committee and approved by the Board of Directors. The Committee members were given until December 10, 2021 to return the accomplished self-assessment worksheets to the office of the Compliance Officer, for tabulation of results and reporting at a subsequent meeting. In this regard, the results of the assessment for the year 2021 were deliberated on by the Board at its meeting on May 4, 2022.

The Company has made such self-assessment worksheet available at its corporate website for viewing.

The full texts of the Related Party Transactions Committee Charter and RPT Policy may be viewed as well at the Company's corporate website.

Board Risk Oversight Committee. The Board Risk Oversight Committee is currently composed of five non-executive directors, three (or a majority) of whom are independent directors. Independent Director Ricardo C. Marquez is the Chairman of the Committee. He is not the Chairman of any other Board Committee.

The Board Risk Oversight Committee is responsible for the oversight of the Company's enterprise risk management ("ERM") system to ensure its functionality and effectiveness. The Committee is tasked to develop and oversee the implementation of a formal ERM plan and annually review and advise the Board of the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework and external economic environment. It shall also assess the probability of each identified risk becoming a reality and estimate its possible financial impact and likelihood of occurrence, and oversee management's activities in identifying, monitoring, assessing and managing credit, market, liquidity, operational, legal and other risk exposures of the Company.

In 2021, the Board Risk Oversight Committee held one meeting, at which meeting the Committee was updated by its consultant SGV & Co. on the Enterprise Risk Management Plan of the Company for its food subsidiaries. SGV & Co. was engaged in 2018 to provide external technical support in developing the risk management roadmap, framework and plan of the Company and its food subsidiaries.

In order to assess and improve the performance of the Board Risk Oversight Committee, self-assessment worksheets were distributed to the members of the Committee after the Board meeting on November 10, 2021 for them to accomplish pursuant to the Board Risk Oversight Committee Charter. The Committee members were given until December 10, 2021 to return the accomplished self-assessment worksheets to the office of the Compliance Officer, for tabulation of results and reporting at a subsequent meeting. In this regard, the results of the assessment for the year 2021 were deliberated on by the Board at its meeting on May 4, 2021.

The Company has made such self-assessment worksheet available at its corporate website for viewing.

The full text of the Board Risk Oversight Committee Charter, previously adopted by the Committee and approved by the Board of Directors, may also be viewed at the Company's corporate website.

Board Committee Members

The members of each Board Committee and their attendance in Board Committee meetings in 2021 are set out in the table below.

	Date of Committee Meeting, All in the Year 2021			
EXECUTIVE COMMITTEE		**May 6**	**September 23**	
Ramon S. Ang (Chairman)		Present	Present	
Francisco S. Alejo III		Present	Present	
Roberto N. Huang		Present	Present	
Emmanuel B. Macalalag*		N/A	Present	

AUDIT COMMITTEE	**March 10**	**May 5**	**August 4**	**November 10**
Cirilo P. Noel (Chairman) *Independent Director*	Present	Present	Present	Present
Ricardo C. Marquez *Independent Director*	Present	Present	Present	Present
Winston A. Chan *Independent Director*	Present	Present	Present	Present
Aurora T. Calderon	Present	Present	Present	Present
Ferdinand K. Constantino	Present	Present	Present	Present

CORPORATE GOVERNANCE COMMITTEE	**March 10**	**May 5**		
Minita V. Chico-Nazario† (Chairperson) *Independent Director*	Present	Present		
Carmelo L. Santiago†** *Independent Director*	Present	Absent		
Ricardo C. Marquez *Independent Director*	Present	Present		
Menardo R. Jimenez	Present	Present		
Cirilo P. Noel*** *Independent Director*	N/A	N/A		
Virgilio S. Jacinto *Advisor*	Present	Present		

RELATED PARTY TRANSACTIONS COMMITTEE	March 10			
Carmelo L. Santiago†** (Chairman) *Independent Director*	Absent			
Cirilo P. Noel *Independent Director*	Present			
Minita V. Chico-Nazario† *Independent Director*	Present			
Winston A. Chan**** *Independent Director*	Present			
Ferdinand K. Constantino*****	N/A			

BOARD RISK OVERSIGHT COMMITTEE				November 9
Ricardo C. Marquez (Chairman) *Independent Director*				Present
Carmelo L. Santiago†** *Independent Director*				N/A
Winston A. Chan****** *Independent Director*				Present
Minita V. Chico-Nazario† *Independent Director*				Present
Menardo R. Jimenez				Present
Ferdinand K. Constantino				Present

** Elected as Member of the Executive Committee on June 2, 2021.*
*** Ceased to be a Director, Chairman of the Related Party Transactions Committee and Member of the Corporate Governance Committee and Board Risk Oversight Committee on June 2, 2021.*
**** Elected as Member of the Corporate Governance Committee on June 2, 2021.*
***** Elected Chairman of the Related Party Transactions Committee on June 2, 2021.*
****** Elected as Member of the Related Party Transactions Committee on June 2, 2021.*
******* Elected as Member of the Board Risk Oversight Committee on June 2, 2021.*

In view of the coronavirus disease 2019 ("COVID-19") pandemic, all of the foregoing Board of Directors', stockholders' and Board Committee meetings held in 2021 were conducted via videoconference.

Board Remuneration

The By-laws of the Company provides that the members of the Board shall be entitled to a director's fee in the amount to be fixed by the stockholders at a regular or special meeting duly called for such purpose.

The stockholders have not fixed any director's fee in the last three years. Nevertheless, the Company does provide each director with a reasonable per diem of P25,000 for each Board meeting attended, and P20,000 for each Board Committee meeting attended. Other than this allowance, there are no arrangements pursuant to which the directors of the Company are compensated, or are to be compensated, directly or indirectly, by the Company for services rendered by such directors.

The Company paid a total of P3,060,000 in per diem allowances to the Board of Directors for meetings attended by them in 2021, as follows:

Executive Directors[1]	P 740,000
Non-executive Directors[2] (other than Independent Directors)	1,190,000
Independent Directors[3]	1,130,000
TOTAL	P3,060,000

[1] Comprised of Ramon S. Ang, Roberto N. Huang, Francisco S. Alejo III and Emmanuel B. Macalalag.
[2] Comprised of Ferdinand K. Constantino, Aurora T. Calderon, Joseph N. Pineda, Menardo R. Jimenez, Ma. Romela M. Bengzon, Francis H. Jardeleza and John Paul L. Ang (first elected on June 2, 2021).
[3] Comprised of Carmelo L. Santiago (who served until June 2, 2021), Minita V. Chico-Nazario, Ricardo C. Marquez, Cirilo P. Noel and Winston A. Chan.

ACCOUNTABILITY AND AUDIT

The Audit Committee provides oversight to both external and internal auditors. The roles and responsibilities of the Audit Committee are clearly defined in the Company's Manual on Corporate Governance and Audit Committee Charter.

External Auditor

The external auditor of the Company, whose main function is to facilitate the environment of good corporate governance as reflected in the Company's financial records and reports, is selected and appointed by the shareholders upon the recommendation of the Board after consultations with the Audit Committee. The Company's external auditor is rotated or changed every five years or earlier, or the signing partner of the auditing firm engaged by the Company is changed every five years or earlier, in accordance with SEC rules and regulations. The external auditor conducts an independent annual audit on the Company's financial performance and financial position and provides an objective opinion on the reasonableness of such records and reports.

In 2021, the SEC-accredited accounting firm R.G. Manabat & Co. ("RGM&Co.") served as external auditor of the Company. The Board of Directors will again nominate RGM&Co. to be the Company's external auditor for fiscal year 2022. Representatives of RGM&Co. are expected to be present at the 2022 ASM to respond to relevant questions and provide any assistance needed in the counting of votes cast during the meeting. They also have the opportunity to make a statement if they so desire.

In instances where the external auditor suspects fraud or error during their conduct of audit, they are required to disclose and express their findings on the matter.

Audit fees billed for the regular audit services rendered by RGM&Co. to the Company in connection with the Company's annual financial statements and other statutory and regulatory filings for 2021 amounted to approximately P1 Million. No non-audit services were rendered by RGM&Co. to the Company in 2021.

Internal Audit

Due to the magnitude of its operations, the internal audit of the Company and its subsidiaries is carried out by three separate and independent internal audit groups – one for the Company and its Food Division (comprised of the Company's food subsidiaries), one for the Company's Beer Division (comprised of the Company's beer subsidiaries), and another for the Company's Spirits Division (comprised of the Company's spirits subsidiaries). While the internal audit group of the Company and its Food Division reports to the Company's Audit Committee, the internal audit groups of the Beer Division and the Spirits Division report to the Audit Committees of San Miguel Brewery Inc. and Ginebra San Miguel Inc., respectively. These internal audit groups help the organization accomplish its objectives by bringing a systematic, disciplined approach in evaluating and improving the effectiveness of risk management, control and governance processes. The groups provide an independent objective assurance that key organizational and procedural controls of the Company and its subsidiaries are effective, appropriate, and strictly followed.

The head of the internal audit group of the Company and its Food Division, Ms. Ophelia L. Fernandez, who functionally reports directly to the Audit Committee, is appointed by the Board of Directors upon the endorsement of the Audit Committee, and any change to such head will also require the endorsement of the Audit Committee prior to the approval of the Board. The internal audit group head oversees and is responsible for the internal audit activity of the Company and its Food Division, including that portion that is outsourced to third party service providers.

Moreover, though the heads of the internal audit groups above mentioned functionally report to the Audit Committees of the relevant company, which is San Miguel Food and Beverage Inc. for the Company and its Food Division, San Miguel Brewery Inc. for the Beer Division, and Ginebra San Miguel Inc. for the Spirits Division, each of them administratively reports directly to the Chief Operating Officers of the Food, Beer and Spirits Division, respectively.

The internal audit groups of the Company and its subsidiaries identify and evaluate significant risk exposures and contribute to the improvement of risk management and control systems by assessing adequacy and effectiveness of controls covering the organization's governance, operations and information systems. By evaluating their effectiveness and efficiency, and by promoting continuous improvement, the Company's businesses maintain effective controls in their responsibilities and functions.

Regular audits of the business of the Company, its subsidiaries, and support units are conducted according to an annual audit program approved by the Audit Committee. Special audits are also undertaken when and as necessary.

The full text of the Internal Audit Group Charter may be viewed at the Company's corporate website.

RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework.

Due to its extensive operations, the Company and its subsidiaries (the "Group") faces both financial and non-financial risks on a daily basis. Examples of these non-financial risks are competition risks, operational risks, and socio-cultural risks. To manage risks, policies have been established to identify and analyze the key risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, systems and processes, as well as practices, are continuously reviewed to reflect changes in market conditions and the organization's activities. The Food Division, in particular, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Each of the Food, Beer and Spirits Divisions of the Company has appointed its own Chief Risk Officers. The Chief Risk Officers hold senior officer positions in San Miguel Foods, Inc., San Miguel Brewery Inc. and Ginebra San Miguel Inc., the three major operating subsidiaries of the Company, and thus they all have adequate authority, stature, resources and support to fulfill their responsibilities. Risk management functions are nevertheless currently performed at the management committee level of each operating subsidiary of the Company, as well as assumed by the Chief Operating Officers and heads of the corporate service units of each Division. Further, every manager is tasked to ensure compliance with all operational and financial controls in his/her area of responsibility and to implement internal controls as part of the total system to achieve the goals of the Group. Managers conduct regular evaluation of existing policies, systems and procedures to ensure that these remain relevant and effective to the current operating environment. Management also gives prompt and cooperative consideration to recommended improvement measures made by independent internal or external audit groups.

The Company is in the process of establishing its Enterprise Risk Management (ERM) plan with the assistance of its consultant SGV & Co., upon the approval of the Board of Directors of the ERM roadmap of the Company and its food subsidiaries in 2018. SGV & Co. was engaged to provide external technical support in developing the risk management roadmap, framework and plan of the Company and its food subsidiaries. The Board Risk Oversight Committee is regularly updated of the status of this project, with its Chairman actively participating in the process.

Nevertheless, for the year 2021, the Audit Committee maintained oversight functions on internal controls, risk management and corporate governance compliance. For the year ended December 31, 2021, the Audit Committee has confirmed the adequacy of the Company's internal controls and risk management system. (See also Audit Committee Report in page 68 of this Annual Report.)

DISCLOSURE AND TRANSPARENCY

The Company adheres to the principle of full corporate disclosure and transparency regarding its financial condition, operations and state of corporate governance.

Directors are required to disclose their business interests, interests in transactions that may come before the Company, or any other conflict of interests, as well as declare the names of their relatives up to the fourth degree of affinity and consanguinity. In this regard, directors accomplish a Full Business Interest Disclosure (FBID) form on an annual basis, as well as a Declaration of Relatives pursuant to the new Related Party Transactions Policy of the Company, as part of the process to determine whether they continue to have all the qualifications and none of the disqualifications to be a director of the Company pursuant to the Company's By-laws and Manual on Corporate Governance. The refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the Securities Regulation Code and its Implementing Rules and Regulations is a ground for the temporary disqualification of a director.

Moreover, to comply with the Company's Policy on Multiple Board Seats as reflected in its Manual on Corporate Governance, directors are periodically reminded to notify the Company's Board of Directors before accepting a directorship in another company.

Ownership Structure

As of December 31, 2021, SMC owns and controls 88.76% of the outstanding capital stock of the Company entitled to vote.

The top 20 shareholders of the Company, including the shareholdings of certain record and beneficial owners who own more than 5% of its capital stock, its directors, and key officers, are disclosed annually in the Company's Definitive Information Statement distributed to shareholders prior to the ASM. See also Securities Dealing; Trading in the Company's Shares below.

The aggregate number of shares owned of record by the Chairman, President, key officers and directors as a group as of December 31, 2021 is 230,150 shares or approximately 0.0039% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of December 31, 2021 is 230,650 shares or approximately 0.0039% of the Company's outstanding capital stock.

Financial Reporting

The Company provides the investing community with regular updates on its operating performance and other financial information through adequate and timely disclosures filed with the SEC, the Philippine Stock Exchange, Inc. (PSE) and the Philippine Dealing & Exchange Corp. (PDEx).

The Company's financial statements conform to Philippine Accounting Standards and Philippine Financial Reporting Standards, which are all in compliance with International Accounting Standards. Consolidated audited financial statements for the latest completed financial year are submitted to the SEC, PSE and PDEx not later than the prescribed deadline and are distributed to the shareholders well in advance of the ASM.

Quarterly financial results, on the other hand, are released and are duly disclosed to the SEC, the PSE and the PDEx in accordance with relevant regulations. The results are also presented to financial and investment analysts, as well as the press, through quarterly analysts briefings and press statements, as the case may be. These disclosures are posted on the Company's corporate website.

In addition to compliance with structural reportorial requirements, the Company timely discloses via the appropriate channels all market-sensitive information, if any, such as dividend declarations, joint ventures and acquisitions, sale and divestment of significant assets, and related party transactions that may affect share price performance.

Securities Dealing; Trading in the Company's Shares

The Company exerts efforts for its directors and officers to comply with the requirement under the Securities Regulation Code, to disclose any change in their shareholdings in the Company as a result of any purchase, sale or any other dealing that relates to the Company's shares.

The following table sets out the shareholdings of the directors and key officers of the Company as of the start of the year, and as of the year ended December 31, 2021.

Name of Director/ Key Officer	Number of Shares as of December 31, 2020	Number of Shares as of December 31, 2021	% of Capital Stock
Ramon S. Ang	10 common shares (Direct)	10 common shares (Direct)	0%
Francisco S. Alejo III	10 common shares (Direct); 230,000 common shares (Indirect)	10 common shares (Direct); 230,000 common shares (Indirect)	0%
Roberto N. Huang	10 common shares (Direct)	10 common shares (Direct)	0%
Emmanuel B. Macalalag	10 common shares (Direct)	10 common shares (Direct)	0%
Ferdinand K. Constantino	10 common shares (Direct)	10 common shares (Direct)	0%
Aurora T. Calderon	10 common shares (Direct)	10 common shares (Direct)	0%
Joseph N. Pineda	10 common shares (Direct)	10 common shares (Direct)	0%
Menardo R. Jimenez	10 common shares (Direct)	10 common shares (Direct)	0%
Ma. Romela M. Bengzon	10 common shares (Direct)	10 common shares (Direct)	0%
Francis H. Jardeleza	10 common shares (Direct)	10 common shares (Direct)	0%
John Paul L. Ang (First elected June 2, 2021)	N/A	10 common shares (Direct)	
Carmelo L. Santiago† (Term up to June 2, 2021)	10 common shares (Direct)	N/A	0%
Minita V. Chico-Nazario†	10 common shares (Direct)	10 common shares (Direct)	0%
Ricardo C. Marquez	10 common shares (Direct)	10 common shares (Direct)	0%
Cirilo P. Noel	10 common shares (Direct)	10 common shares (Direct)	0%
Winston A. Chan	10 common shares (Direct)	10 common shares (Direct)	0%
Ildefonso B. Alindogan	None	None	0%
Kristina Lowella I. Garcia	None	None	0%
Alexandra B. Trillana	None	None	0%

The Company has adopted a Policy on Securities Dealing (or insider trading) that regulates the acquisition and disposal of the Company's shares by its directors, officers and key employees, and the use and disclosure of price-sensitive information by such persons.

Under the Policy, directors, officers and employees who have knowledge or are in possession of material non-public information are prohibited from dealing in the Company's securities prior to the disclosure of such information to the public. The Policy likewise prescribes the number of days before and after public disclosure of structured and non-structured reports (the "blackout period"), during which trading in the Company's securities by persons who, by virtue of their functions and responsibilities, are considered to have knowledge or possession of material non-public information, is not allowed.

The Policy was updated in January 2017 to comply with the New CG Code requiring all directors and officers to disclose or report to the Company any dealings in the Company's shares within three business days from the transaction.

The Compliance Officer regularly sends reminders on compliance with the Policy, to the directors, officers and key employees of the Company prior to the start of every blackout period as it relates to structured reports.

The full text of the Policy on Securities Dealing may be found at the Company's corporate website.

SHAREHOLDER RIGHTS

The Company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors.

Shareholder Meetings

The Company's By-laws provide that its ASM will be held on the first Wednesday of June of every year. Stockholders are informed at least 30 days before the scheduled date of general meetings.

In this regard, the Company first disclosed on November 5, 2020, the date of the 2021 ASM (scheduled to be held on June 2, 2021). On March 11, 2021, more than 30 days before the ASM, the Company disclosed the Agenda, time and place of the 2021 ASM, record date for stockholders entitled to vote at said meeting, period when the stock transfer books of the Company will be closed, deadline for submission of proxies and date of validation of proxies. The Notice and Definitive Information Statement to the 2021 ASM, including the date, time and place for the validation of proxies, as well as rationale and explanation for each relevant Agenda item requiring shareholder approval, were disclosed via PSE Edge and uploaded in the Company's website for stockholders to access, on May 7, 2021.

For the 2022 ASM, the Company disclosed on November 10, 2021 that the date of the 2022 ASM will be on June 1, 2022, in accordance with the Company's amended By-laws. The disclosure invited stockholders who wish to propose the inclusion of additional items to the usual Agenda of the ASM and/or to nominate candidates to the Board, to submit their proposals not later than January 31, 2022 to the Corporate Secretary at the 4th Floor, 100 E. Rodriguez Jr. Avenue (C5 Road), Barangay Ugong, Pasig City, for the consideration of the Chairman and the appropriate Board Committee/s.

Voting Rights and Voting Procedures

Each common share in the name of the shareholder entitles such shareholder to one vote that may be exercised in person or by proxy at shareholder meetings, including the ASM. Common shareholders, even minority or non-controlling shareholders, have the right to nominate, elect, remove, and replace directors, as well as vote on certain corporate acts, including decisions concerning significant transactions, in accordance with the Revised Corporation Code and other applicable laws and regulations. In such cases, the Company provides the rationale and explanation for each agenda item that requires shareholders' approval in the Definitive Information Statement distributed prior to the ASM.

Preferred shareholders have the right to vote on matters involving certain fundamental corporate changes in accordance with Section 6 of the Revised Corporation Code. They also enjoy certain preferences over holders of common shares in terms of dividends and in the event of liquidation of the Company.

Voting procedures on matters presented for approval to the stockholders in the ASM are provided in the Definitive Information Statement.

Pre-emptive Rights

Unless denied in its Articles of Incorporation or an amendment thereto, stockholders have the right to subscribe to all issues of shares of the Company in proportion to their shareholdings.

On November 3, 2010 and January 18, 2018, the stockholders approved to amend the Articles of Incorporation of the Company to deny pre-emptive rights to the issuances of preferred and common shares, respectively. Such amendments to the Articles of Incorporation were approved by the SEC on December 23, 2010 and March 23, 2018, respectively.

Right to Information

Shareholders and prospective investors may request relevant information on the Company, including copies of periodic reports filed with the regulatory authorities and disclosures via the PSE, through the Investor Relations Group of the Company headed by Ms. Kristina Lowella I. Garcia, whose contact details are provided below.

These reports, disclosures, press releases and statements, as well as investor and analyst briefing materials, are also posted on the Company's corporate website.

Ms. Kristina Lowella I. Garcia
San Miguel Food and Beverage, Inc. Investor Relations
7th Floor, SMC Head Office Complex
40 San Miguel Avenue, Mandaluyong City
Telephone: (632) 8632-3752; Fax (632) 8632-3313/8632-3749
Email: kigarcia@sanmiguel.com.ph

Dividends and Dividend Policy

Shareholders are entitled to receive dividends as the Board of Directors may, in its sole discretion, declare from time to time. However, the Company is required, subject to certain exceptions allowed under the law, to declare dividends when its retained earnings equal or exceed its paid-up capital stock.

Dividends declared at the discretion of the Board will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations both at the parent company and subsidiary level and other factors the Board may deem relevant.

Since August 8, 2018, the cash dividend policy of the Company has been to entitle holders of its common shares to receive annual cash dividends of up to 60% of the prior year's recurring net income. Recurring net income is net income calculated without respect to extraordinary events that are not expected to recur. The Company expects that the dividend distributions shall be made over the four quarters of the year, subject to the applicable laws and regulations and based on the recommendation of the Board. In considering dividend declarations for each quarter, the Board has in the past and will in the future, take into consideration dividend payments on the preferred shares, if any, and other factors, such as the implementation of business plans, debt service requirements, debt covenant restrictions, funding of new investments, major capital expenditure requirements, appropriate reserves and working capital, among others.

Under the terms of the perpetual series 2 preferred shares offer of the Company in February 2015 (the "FBP2 Shares"), as and if dividends are declared by the Board, dividends on the FBP2 Shares shall be at a fixed rate of 5.6569% per annum applicable up to the fifth anniversary of the issue date of such shares.

In 2019, the Company paid out cash dividends of P1.60 per common share and P56.56900 per FBP2 Share.

In 2020, the Company paid out cash dividends of P1.60 per common share and P14.14225 per FBP2 Share. The outstanding FBP2 Shares were redeemed by the Company on March 12, 2020.

In 2021, the Company paid out cash dividends of P1.70 per common share.

As a matter of and pursuant to its policy, the Company pays out the dividends for its common shares within 30 days after being declared and approved by the Board. In 2021, dividends were paid out as follows:

Date of Declaration and Approval	Amount	Date of Payment
February 3, 2021	P0.40 per share regular dividend	March 3, 2021
May 5, 2021	P0.40 per share regular dividend	June 4, 2021
August 4, 2021	P0.40 per share regular dividend	September 3, 2021
November 10, 2021	P0.40 per share regular dividend	December 10, 2021

STAKEHOLDER RELATIONS

The Company exercises transparency when dealing with shareholders, customers, employees, creditors, suppliers and other trade partners. The Company ensures that these transactions adhere to fair business practices in order to establish long-term and mutually beneficial relationships.

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. Accordingly, the Company exerts efforts to interact positively with the communities in which it operates.

Stakeholders may address their concerns relating to the Company's various business units through the Investor Relations group of the Company headed by Ms. Kristina Lowella I. Garcia, whose contact details are provided above and in the Company's corporate website.

Shareholder and Investor Relations

The investor relations program of the Company aims to effectively communicate the organization's performance and plans to the capital market, as well as develop a long-term relationship of trust with stakeholders, using the discipline in finance, communication and marketing, and manage the content and flow of the Group's information and disclosures to the financial markets.

Among others, the communications strategy of the Company endeavors to encourage shareholders, including minority shareholders and institutional investors, to attend and participate in the ASM of the Company.

The Company communicates with the investing community and keeps shareholders informed through timely disclosures via the PSE and PDEx, reports filed with the SEC, stockholder meetings, regular quarterly briefings, investor conferences, press releases and statements, its corporate website, emails and telephone calls. The Company's disclosures and other reports submitted to the SEC, PSE and PDEx are available for download from its corporate website.

The Investor Relations Group of SMC organizes quarterly briefings on SMC and its consolidated group of companies, including the Company, for investment and financial analysts. Invitations and materials for such briefings are posted on the Company's website. All interested persons may attend these briefings. In the year 2021, the following were the analyst and media briefings conducted:

Date	Agenda
March 11, 2021	2020 Full Year Results
May 6, 2021	2021 First Quarter Results
August 2, 2021	2021 First Semester Results
November 11, 2021	2021 Third Quarter Results

The Company, through its own Investor Relations Group, also holds briefings and meetings with investment and financial analysts from time to time, as and when necessary or requested by said analysts.

Suppliers/Contractors, Creditors and Customers

The Company recognizes the importance of its other stakeholders, such as its customers, suppliers or contractors and creditors, in the creation and growth of value, stability and long-term competitiveness of its businesses. The Company is committed to delivering products and services that delight and inspire loyalty in its customers. To ensure quality and food safety, various international standards in materials safety testing and Quality Management Systems are adopted, such as:

- Food Safety Systems Certification (FSSC) 5.1, the highest food safety standard
- ISO 22000 (Food Safety Management Systems)
- ISO 9001:2015 (Good Feed Milling Practices)
- ISO/IEC 17025:2005 (Laboratory Accreditation Program)
- Good Manufacturing Practices
- Hazard Analysis and Critical Control Points

The Group's plant facilities undergo regular compliance audits and all products pass several quality and safety tests and analyses before these are distributed. Employees also undergo trainings such as quality assurance, proficiency testing, and food safety and handling.

The Company adheres to a stringent accreditation and selection process for its suppliers and contractors. A dedicated team in the Procurement Groups of each of its Food, Beer and Spirits Divisions is tasked with the important role of canvassing, assessing bids and accrediting potential suppliers. The supplier accreditation policy demands that a potential supplier meets certain qualification criteria and abides by statutory requirements as well as standards set by the concerned business.

The Company recognizes the value of working hand-in-hand with its suppliers and contractors, helping them grow and assuring them of reasonable and fair returns. At the same time, the Company is mindful that it chooses and maintains only those suppliers and contractors who share the same core beliefs as the Company, and who uphold the values of integrity and honor in their day-to-day dealings. Each supplier contract contains an undertaking to adhere to applicable laws, which include but are not limited to laws relating to forced labor, child labor, human rights, bribery, and corruption. Thus, the principles embodied in the Company's Code of Business Conduct and Ethics expressly apply to the Company's business partners, such as its suppliers, contractors and customers.

The Company honors its obligations to its suppliers and creditors, including payments in accordance with agreements.

MANAGEMENT

Each of the Food, Beer and Spirits Divisions of the Company has its own Chief Operating Officer and management team primarily responsible for the day-to-day operations and business of such Division. The annual compensation of the President and the key officers of the Company, as well as their shareholdings in the Company, are set out in the Definitive Information Statement distributed to shareholders prior to the ASM.

EMPLOYEE RELATIONS, HEALTH, SAFETY AND WELFARE

The Company is committed to its employees' safety, health and welfare, and to nurture their individual capabilities.

Programs are in place to ensure the safety of its workers. These programs include the elimination of occupational hazards in the workplace, provision of protective wear and/or equipment, proper training in the handling and use of machinery and materials, safety reminders and other measures that may be necessary to maintain their safety. Employees are protected from undue exposure to chemicals, biological and physical hazards, and in the event exposure to these are inevitable, safety information is provided to educate, train and safeguard employees.

The Company identifies, assesses and prepares for potential emergency situations in the workplace, and minimizes their impact through prevention and readiness to implement emergency plans and response procedures. In case such an emergency occurs, the proper authorities are informed immediately.

To promote sustainable development, the Company complies with all environmental regulations applicable to every step in its value chain. All required environmental permits, licenses, authorizations, registrations and clearances are obtained and their operational and reporting requirements followed.

The Company has systems in place to ensure the safe handling, movement, recycling, reuse, storage or release, and management of waste, air emissions, waste water discharges and hazardous materials. Any waste, waste water or emissions with the potential to adversely impact human or environmental health are appropriately managed, controlled and treated prior to release into the environment.

The Company provides comprehensive health care services directed at prevention of disease, protection from health hazards and maintenance of health. Programs are implemented to identify personal risks to health and to detect diseases in the early and most treatable stages.

Since 2020, the COVID-19 pandemic that beset the country gave occasion for the Company to introduce additional health protocols in its workplaces, such as mandatory wearing of face masks, installing hand washing, and disinfection and thermal scanning stations in building entrances. The Company also periodically tests its employees for COVID-19 as its contribution to the government's efforts to continuously test and trace COVID-19 transmission and contain it, as well as enable early intervention or treatment to save lives. The Company likewise provided its employees and their dependents with access to vaccination in order to protect them against COVID-19. Further, the Company complied with government directives to implement work from home arrangements to lessen the physical presence of manpower in its offices and facilities. For those employees whose presence at the office or plant was absolutely necessary, shuttle bus services and loans for the purchase of bicycles to avoid public transportation where exposure to the virus is heightened, were made available. Food and accommodations were distributed to employees who had to be housed onsite or in nearby establishments to avert disruption in plant operations during enhanced community quarantines.

The Company is committed to improve the quality of life of its employees through healthy living and piloting of wellness initiatives to encourage employees to maintain active and healthy lifestyles. The Company provides regular information to assist employees in making better decisions regarding their health, as well as the health of their dependents.

The Company is committed to promote a work place that is free from drug abuse as it is detrimental to the health, safety and work performance of employees and poses risks to operations and product quality.

The Company strives to protect its employees from harassment of any form. The Company provides a workplace free of harassment, discrimination, harsh and inhumane treatment. Any abusive behavior such as sexual harassment, corporal punishment, mental or physical coercion, or verbal abuses or threats among workers is not tolerated. Discrimination for reasons of race, age, gender, gender-orientation, ethnicity, disability, religion, political affiliation, union membership or marital status is not condoned. The Company actively implements mechanisms for dealing with such occurrences and ensures that it will act justly, swiftly and decisively in addressing such complaints.

The Company respects individuals in a manner consistent with the rights to privacy and data protection. Information about people is used appropriately for necessary business purposes and is protected from misuse to prevent undue harm to individuals such as discrimination, stigmatization or other damage to reputation and personal dignity, impact on physical integrity, fraud, financial loss or identity theft.

The Company's performance management framework ensures that its personnel's performance is aligned with the standards set by the Board and senior management. The Company adopts a performance management system and salary review program wherein employees, including executive directors and key officers, are appraised annually on the basis of achievement of specific objectives and key performance indicators, i.e., financial results of the business, business/functional priorities, internal processes and learning and growth, as well as participation in centerpiece projects and critical incidents. Bonuses are determined in accordance with SMC's Business Performance and Annual Incentive Programs, which tracks attainment of the San Miguel Group's earnings targets. The Company is also part of the Long Term Incentive Program (LTIP) of SMC for the San Miguel Group. The LTIP is a variable reward program that provides key executives with financial incentives that are contingent to the achievement of the San Miguel Group's medium to long range business goals, sustained growth, expansion, and continued financial success.

The Company provides avenues for employees to realize their full potential. Professional growth and advancement in their careers can be attained through formal trainings, opportunities for further education, and other alternative approaches. Through these initiatives, employees become more capable in their tasks, and productivity and efficiency in technical aspects as well as their soft skills are improved. In this regard, various structured in-house and external trainings are provided to employees. In-house programs include the San Miguel School of Brewing, which offers various programs spanning all levels of professional brewing technical training, from the basic brewing course for newly-hired employees to the advance brewing course for senior technical employees and highly advanced classes necessary to produce brewmasters; and the San Miguel Foods University, which offers courses on leadership and management, sales, logistics, poultry and livestock slaughtering, and feed milling, among others. A training program on sensory skills development and critical processes for liquor manufacturing is also provided for employees of the Spirits Division.

Talent development is strengthened by ensuring that individual development plans of employees are defined and anchored on performance and competency gaps, and that these plans are implemented. In addition, development of high-potential/high-performing employees is pursued as part of succession planning, via fast-track learning through advanced programs, deliberate movements, coaching and mentoring, and participation in centerpiece projects.

The learning landscape of the Group has changed as a result of the COVID-19 pandemic, adopting fully-digitized approaches to recreate in-person learning and training programs through live video and social sharing via online platforms such as Zoom and Microsoft Teams.

Moreover, majority of the subsidiaries of the Company have funded, non-contributory defined benefit retirement plans covering all of their permanent employees.

Each employee is provided with an Employee Handbook and Code of Business Conduct and Ethics containing the house rules, policies and guidelines setting out the duties and responsibilities of an employee of the Company.

Through internal newsletters and e-mail news briefs facilitated by the Corporate Affairs and Human Resources groups, as well as SMC's Corporate Affairs Office, employees are updated on any one-time benefits that may be granted by senior management, significant events and programs, as well as material developments within the organization. In particular, the Food Division issues internal newsletters which document the Division's various activities and efforts to address the needs and interests of its employees and other stakeholders, including customers, suppliers, contractors and communities.

CORPORATE MISSION AND VISION

In the first quarter of 2010, the Company formally launched its corporate mission where it determined its long-term growth objectives. The Company has further defined its vision of "nourishing and nurturing families worldwide" and its core purpose of Malasakit, which it espouses in every one of its endeavors. This is part of the transformational programs that the Company has undertaken in order to reach its goals.

The Board reviews and approves the corporate mission and vision of the Company every three years or after such period as it deems necessary, or upon the recommendation of management. The Board last reviewed and approved the vision and mission of the Company during its meeting on February 2, 2017.

CORPORATE OBJECTIVES AND STRATEGIES

The Board of Directors oversees the development, review and approval of the Company's business objectives and strategy, as well as monitors the implementation of such objectives and strategy. In pursuit of its long-term growth objectives, the Company continues to strive to achieve and maintain market leadership in the various categories in which it is present. In its strategy to further shift from commodities to value-added products where margins are more stable, the Company aims to launch several new innovative products in the coming years, to cater to the changing needs and preferences of its consumers. Recognizing the importance of constantly improving and

adapting, the Company is poised to start operations of several new plants and facilities to be in a better position to respond to the demands of its customers.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is vitally important to the Company, owing to its roots as a subsidiary of SMC, a conglomerate deeply committed to far-reaching social and environmental initiatives. Policies ensure that the Company adheres to the highest standards of ethical behavior, environmental sustainability, and commitment to its communities.

CODE OF BUSINESS CONDUCT AND ETHICS, WHISTLEBLOWING AND OTHER POLICIES

The Company adheres to the SMC Code of Ethics and Conduct that describes fundamental standards of conduct and values consistent with the principles of good governance and business practices, which guide and define the actions and decisions of the directors, officers and employees of the entire San Miguel Group, including the Company.

The Board of Directors of the Company, at its meeting on August 8, 2013, approved the adoption of the Company's own Code of Business Conduct and Ethics that embodies the guidelines and principles on acceptable behavior and performance of the employees and business partners (i.e., contractors, suppliers, distributors) of the organization, including their directors. It is aligned with the SMC Code of Ethics and Conduct, and supports SMC's program on corporate governance.

The Company's Code of Business Conduct and Ethics is the centerpiece program of the Company that integrates, as well as serves as the foundation for existing and future policies to be observed by the organization's employees and business partners. It intends to enlist employees and business partners to the Company's core purpose, value and envisioned future, thus engaging them to become more conscientious employees and committed stakeholders in the Company.

Aside from making the Code of Business Conduct and Ethics available for review and download in the corporate website, the Company formally launched the Code in the annual Employee Service Awards in 2013 and then cascaded the same to all employees in all offices and plants of the organization nationwide. Employees were also given copies of the Code during the cascade and thereafter made to sign their commitment to comply with the Code and adopt the fundamental standards of conduct and values set out therein.

Procedures are also established for the communication and investigation of concerns regarding the Company's accounting, internal accounting controls, auditing, and financial reporting matters under a San Miguel Group-wide Whistleblowing policy.

The Company will not tolerate retaliation in any form against a director, officer, employee or other interested party who, in good faith, raises a concern or reports a possible violation under the Whistleblowing policy. This policy, however, shall not be used for addressing or taking up personal grievances.

The Board of Directors of the Company, at its meeting on November 6, 2015, ratified the approval by the Audit Committee of the Company's own Whistle-Blowing Policy. The Policy is aligned with SMC's Whistleblowing policy for the San Miguel Group. However, the Company deemed it necessary to have a supplemental Whistle-Blowing Policy that is broader in coverage, which aims to deter and uncover corrupt, illegal, unethical, fraudulent or other conduct detrimental to the interest of the Company committed by its employees, as well the latter's contractors and suppliers.

The Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics, Whistle-Blowing Policy, and other related internal policies of the Company, including the Personal Data Privacy Policy and Related Party Transactions Policy.

The full texts of the Code of Business Conduct and Ethics, Whistle-Blowing Policy and other related policies may be found at the Company's corporate website.

COMPLIANCE MONITORING

To ensure adherence to corporate governance principles and best practices, as well as applicable laws and relevant regulations, the Board of Directors has appointed a Compliance Officer for the Company, Atty. Alexandra Bengson Trillana. The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of its Manual on Corporate Governance, as amended from time to time, applicable laws and the rules and regulations of the relevant regulatory agencies. Such review on compliance with laws and relevant regulations is conducted on a periodic basis as may be necessary upon the effectivity of such laws and regulations, and at least annually. Appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances are also conducted. The Compliance Officer holds the position of Vice President. She is also General Counsel of the Company and the Food Division. As Compliance Officer, she has direct reporting responsibilities to the Chairman of the Board.

In May 2017, the Board of Directors approved a Manual on Corporate Governance to align with the New CG Code under SEC Memorandum Circular No. 19, series of 2016. The new Manual, which has been amended several times since then as the Company continuously reviews its processes and adopts best practices, is available for viewing and download at the Company's corporate website.

In August 2017, the Board approved the adoption by the Corporate Governance Committee, Related Party Transactions Committee and Board Risk Oversight Committee of their respective Charters, as reviewed and endorsed by each Committee. The approval of the adoption by the Audit Committee of its Charter was approved by the Board in August 2012 upon the endorsement of the Audit Committee. Finally in March 2022, the Board approved the Charter of the Executive Committee upon the endorsement of the Corporate Governance Committee.

The Charters of the Audit Committee, Corporate Governance Committee, Related Party Transactions Committee, Board Risk Oversight Committee and Executive Committee each outline the purpose, membership and qualifications, structure and operations, duties and responsibilities, reporting process and performance evaluation of the said Board Committees, and the procedures which shall guide the conduct of its functions, to ensure adherence by the Company to the best practices of good corporate governance. The full texts of said Charters may be viewed at the Company's corporate website.

In March 2017, upon the endorsement of the Audit Committee, the Board approved the Charter of the Internal Audit Group of the Company. The Charter was further amended in November 2019, to reflect the new name of the Company (formerly San Miguel Pure Foods Company Inc.) and clarify that the Charter applies to the Internal Audit Group of the Company and its Food Division only.

On May 29, 2018, the Company submitted its first Integrated Annual Corporate Governance Report (I-ACGR) in accordance with SEC Memorandum Circular No. 17, series of 2017. Since then, the Company has submitted and will continue to submit its I-ACGR within the prescribed period.

In August 2019, upon the endorsement of the Corporate Governance Committee, the Board approved the Charter of the Board of Directors of the Company that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.

In August 2020, upon the endorsement of the Corporate Governance Committee, the Board approved self-assessment forms for the members of the Related Party Transactions Committee, Corporate Governance Committee and Board Risk Oversight Committee to accomplish at the end of the year, on an annual basis. The forms are in addition to the self-assessment form for the members of the Audit Committee to accomplish as previously approved by the Board. All the forms were prepared in accordance with the Charters of the said Committees. The results of the assessment will be the basis of the formulation of objectives and plans to improve the Committees' performance, including any recommendations for amendments to the Committees' Charters.

In March 2022, upon the endorsement of the Corporate Governance Committee, the Board approved a Policy on Board Diversity, in line with Principle 1 of the SEC Code of Corporate Governance for Publicly-Listed Companies on establishing a competent board of directors. Under the Policy, the selection process of candidates for director shall be based on merit and an objective criteria that is aligned with the strategic requirements of the Company. Competent and qualified nominees shall not be discriminated by reason of gender, age, religion, cultural and educational background, or ethnicity. The Company is assessed annually in accordance with the ASEAN Corporate Governance Scorecard for publicly listed companies in the ASEAN region, and has been consistently recognized as among the top performing publicly listed companies in the Philippines.

The Company continues to improve its policies and institutionalize good corporate governance practices, to make this a competitive edge in the way it conducts business.

ANNUAL TRAINING OR PROGRAM ON CORPORATE GOVERNANCE

The Company encourages its directors and officers to attend continuous professional education programs.

The Company organizes an annual seminar or program on Corporate Governance for directors and key officers, in accordance with SEC regulations. In 2021, the topics covered in the four-hour course conducted via videoconferencing in September 2021 were Third Party Risk Management: how to identify possible risks from third parties, the common examples of third-party risks, and leading practices on managing third party risks such as risk profiling, due diligence checks and a code of conduct. The training provider also briefed the participants on the salient features of the CREATE Act, such as the various corporate tax adjustments, and rationalization of fiscal incentives. All directors and key officers, including the Corporate Secretary and Compliance Officer of the Company, as well as its internal audit group head, attended a seminar on corporate governance conducted by a SEC-accredited training provider in 2021.

The Company certifies that, for 2021, it has complied with the provisions of its Manual on Corporate Governance, save for the election of such number of independent directors as to constitute at least one-third of the members of the Board (or five out of the 15-member Board of Directors of the Company). In this regard, with the endorsement of the Corporate Governance Committee following its deliberation of the qualifications of the nominees for election to the Board of Directors at the 2021 ASM, the Board agreed that the four nominees as independent directors of the Company possessed all the criteria to enable independent views to be conveyed at Board discussions and thus competently protect the interests of minority shareholders. The presence of the four independent directors, which constitute more than 20% of the Board of Directors, was determined to be sufficient to ensure the exercise of independent judgment on corporate affairs and the proper oversight of managerial performance, including prevention of conflicts of interest and balancing of competing demands of the corporation.

WEBSITE

The Company's Articles of Incorporation, By-laws, Manual on Corporate Governance, Charter of the Board of Directors, Board Committee Charters, policies, up-to-date information on the Company and its businesses and products, results of business operations, financial statements, career opportunities and other relevant information to encourage shareholders including institutional shareholders to attend the ASM, may be viewed at its corporate website www.smfb.com.ph.

The Board of Directors
San Miguel Food and Beverage, Inc.

REPORT OF THE AUDIT COMMITTEE

For the year ended December 31, 2021

The undersigned Audit Committee assists the Board of Directors of San Miguel Food and Beverage, Inc. (the "Company") in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audit processes and methodologies.

In fulfillment of these responsibilities, the Audit Committee performed the following in 2021:

- We endorsed for approval by the stockholders, and the stockholders approved the appointment of R.G. Manabat & Co. as the Company's independent external auditors for 2021;
- We reviewed and approved the terms of engagement of the external auditor, including the audit, audit-related and any non-audit services provided by the external auditor to the Company and the fees for such services, and ensured that the same did not impair the external auditor's independence and objectivity;
- We endorsed for approval by the Board, and the Board approved, the appointment of Ms. Ophelia L. Fernandez, head of the internal audit group of the Company and its food subsidiaries;
- We reviewed and approved the scope of the audit and audit programs of the external auditor, as well as the Company's internal audit group, and have discussed the results of their audit processes and their findings and assessment of the Company's internal controls and financial reporting systems;
- We reviewed, discussed and recommended for approval of the Board of Directors the Company's annual and quarterly consolidated financial statements, and the reports required to be submitted to regulatory agencies in connection with such consolidated financial statements, to ensure that the information contained in such statements and reports presents a true and balanced assessment of the Company's position and condition and comply with the regulatory requirements of the Securities and Exchange Commission (SEC) and applicable laws;
- We reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, confirm that these are adequate, and ensured that, where applicable, necessary measures are taken to address any concern or issue arising therefrom; and
- We reported compliance to the SEC on the results of the accomplishment by the members of the Audit Committee Self-Rating Form in accordance with the Audit Committee Charter and in compliance with the requirements of the SEC Memorandum Circular No. 4, Series of 2012.

All members of the Audit Committee, majority of whom are independent directors, are satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2021.

Cirilo P. Noel
Chairman (Independent Director)

Ricardo C. Marquez
Member (Independent Director)

Winston A. Chan
Member (Independent Director)

Aurora T. Calderon
Member

Ferdinand K. Constantino
Advisor

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of San Miguel Food and Beverage, Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat and Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
Vice Chairman of the Board, President
and Chief Executive Officer

FERDINAND K. CONSTANTINO
Treasurer

ILDEFONSO B. ALINDOGAN
Vice President and Chief Finance Officer

Signed this 9th day of March 2022

R.G. Manabat & Co.
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Philippines 1209
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Internet www.home.kpmg/ph
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
100 E. Rodriguez Jr. Avenue (C5 Road)
Barangay Ugong, Pasig City

Opinion

We have audited the consolidated financial statements of San Miguel Food and Beverage, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Testing of Trademarks and Brand Names (P36,953 million)
Refer to Note 16 to the consolidated financial statements.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

The risk
The Group has assessed that the trademarks and brand names have indefinite useful lives considering that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group. Trademarks and brand names represent 12% of the consolidated total assets of the Group. As required by Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, impairment testing is required annually for intangible assets with indefinite useful lives, irrespective of whether there is an indication that the related assets may be impaired.

We focused on this area because of the subjectivity and complexity of determining the recoverable amounts which involve significant inherent estimation uncertainty that may have increased more than under normal market conditions due to the disruption caused by the COVID-19 coronavirus pandemic. As a result, we assessed that the impairment testing is a key audit matter.

Our response
Our audit work over the valuation of trademarks and brand names included the following:

- We evaluated and assessed the methodology applied in the impairment review in accordance with PAS 36.
- We have updated our understanding of the management's annual impairment process.
- We evaluated the reasonableness of the future cash flow forecasts, by comparing them with the latest Board of Directors' approved budgets and considered the historical accuracy of management's forecasts by comparing prior year forecasts to actual results.
- We challenged the key assumptions for long term growth rates in the forecasts by comparing them with historical results, economic and industry forecasts which considered market response and expectations after the imposition and ease of government restrictions related to COVID-19; and the discount rate used by recalculating the Group's weighted average cost of capital using market comparable information.
- We have involved our own valuation specialist and subject matter expert in the evaluation.
- We have also assessed the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

Revenue Recognition (P309,778 million)
Refer to Notes 6, 22 and 30 to the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group and is generated from various sources. It is accounted for when control of the goods or services is transferred to the customer over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. While revenue recognition and measurement are not complex for the Group, revenues may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

Our response
We performed the following audit procedures, among others, on revenue recognition:

We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, Revenue from Contracts with Customers.

- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.

- Using Data and Analytics, we performed two-way matching of sales invoices and collection receipts and three-way matching of sales invoices, delivery receipts and collection receipts to ascertain that the revenue recognition criteria are appropriately met. For unmatched items, on a sampling basis, we vouched sales transactions to supporting documentation such as sales invoices acknowledged by the customers and traced to related trade receivable balance.

- We tested, on a sampling basis, sales transactions throughout the year and for the first month of the following financial year to supporting documentation such as sales invoices acknowledged by the customers and delivery documents to assess whether these transactions occurred and are recorded in the appropriate financial year.

- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.

- We tested, on a sampling basis, credit notes issued after the financial year, to identify and assess any credit notes that relate to sales transactions recognized during the financial year.

- We have also evaluated the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Jose P. Javier, Jr.

R.G. MANABAT & CO.

JOSE P. JAVIER, JR.
Partner
CPA License No. 0070807
SEC Accreditation No. 70807-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 112-071-224
BIR Accreditation No. 08-001987-046-2019
Issued December 26, 2019; valid until December 25, 2022
PTR No. MKT 8854068
Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(In Millions)

	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 7, 33, 34*	**P41,581**	P37,013
Trade and other receivables - net	*4, 8, 30, 33, 34*	**22,857**	20,032
Inventories	*4, 9*	**44,429**	35,393
Current portion of biological assets - net	*4, 10*	**3,106**	3,401
Prepaid expenses and other current assets	*11, 30, 33, 34*	**6,357**	7,201
Total Current Assets		**118,330**	103,040
Noncurrent Assets			
Investments - net	*4, 12, 33, 34*	**5,157**	4,859
Property, plant and equipment - net	*4, 13*	**91,085**	84,624
Right-of-use assets - net	*4, 14*	**4,747**	4,824
Investment property - net	*4, 15*	**3,385**	2,951
Biological assets - net of current portion	*4, 10*	**2,244**	2,352
Goodwill - net	*4, 16*	**996**	996
Other intangible assets - net	*4, 16*	**39,160**	39,538
Deferred tax assets	*4, 28*	**2,137**	2,857
Other noncurrent assets - net	*4, 17, 29, 30, 33, 34*	**30,383**	30,241
Total Noncurrent Assets		**179,294**	173,242
		P297,624	P276,282
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*18, 30, 33, 34*	**P5,191**	P10,780
Trade payables and other current liabilities	*19, 30, 33, 34*	**60,817**	54,438
Lease liabilities - current portion	*4, 32, 33, 34*	**412**	379
Income and other taxes payable		**5,605**	6,044
Dividends payable	*21*	**57**	47
Current maturities of long-term debt - net of debt issue costs	*20, 33, 34*	**7,180**	12,621
Total Current Liabilities		**79,262**	84,309

Forward

	Note	**2021**	2020
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*20, 33, 34*	**P66,225**	P54,478
Deferred tax liabilities	*28*	**26**	26
Lease liabilities - net of current portion	*4, 32, 33, 34*	**4,422**	4,403
Other noncurrent liabilities	*4, 29, 30, 33, 34*	**2,227**	1,247
Total Noncurrent Liabilities		**72,900**	60,154
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	*21*	**6,251**	6,251
Additional paid-in capital	*21*	**366,620**	366,620
Equity adjustments from common control transactions	*1*	**(327,793)**	(328,273)
Equity reserves		**(950)**	(1,745)
Retained earnings:	*21*		
Appropriated		**31,043**	28,613
Unappropriated		**48,448**	41,122
Treasury stock	*21*	**(30,182)**	(30,182)
		93,437	82,406
Non-controlling Interests	*2, 5*	**52,025**	49,413
Total Equity		**145,462**	131,819
		P297,624	P276,282

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Millions, Except Per Share Data)

	Note	**2021**	2020	2019
SALES	*6, 22, 30*	**P309,778**	P279,290	P310,785
COST OF SALES	*23, 30*	**219,306**	200,239	212,030
GROSS PROFIT		**90,472**	79,051	98,755
SELLING AND ADMINISTRATIVE EXPENSES	*24, 30*	**(46,777)**	(45,639)	(50,974)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*18, 20, 27*	**(3,360)**	(3,941)	(3,120)
INTEREST INCOME	*7, 27, 30*	**468**	734	1,133
EQUITY IN NET LOSSES OF JOINT VENTURES	*12*	**-**	-	(238)
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*12, 13*	**196**	(36)	(3)
OTHER INCOME (CHARGES) - Net	*27*	**(197)**	1,619	554
INCOME BEFORE INCOME TAX		**40,802**	31,788	46,107
INCOME TAX EXPENSE	*28*	**9,385**	9,387	13,828
NET INCOME		**P31,417**	P22,401	P32,279
Attributable to:				
Equity holders of the Parent Company		**P19,791**	P12,476	P18,278
Non-controlling interests	*5*	**11,626**	9,925	14,001
		P31,417	P22,401	P32,279
Basic and Diluted Earnings per Common Share Attributable to Equity Holders of the Parent Company	*31*	**P3.35**	P2.08	P2.95

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Millions)

	Note	**2021**	2020	2019
NET INCOME		**P31,417**	P22,401	P32,279
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on reserve for retirement plan	*29*	**1,312**	321	(303)
Income tax benefit (expense)	*28*	**(499)**	(87)	94
Share in other comprehensive income (loss) of joint ventures	*12*	**(4)**	(54)	16
Net gain (loss) on financial assets at fair value through other comprehensive income		**3**	(4)	1
		812	176	(192)
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		**818**	(1,174)	(346)
		818	(1,174)	(346)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**1,630**	(998)	(538)
TOTAL COMPREHENSIVE INCOME - Net of tax		**P33,047**	P21,403	P31,741
Attributable to:				
Equity holders of the Parent Company		**P20,618**	P12,017	P18,042
Non-controlling interests	*5*	**12,429**	9,386	13,699
		P33,047	P21,403	P31,741

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(In Millions)

		Equity Attributable to Equity Holders of the Parent Company														
						Equity Reserves										
		Capital Stock		Additional Paid-in	Equity Adjustments from Common	Reserve for Retirement	Fair Value	Translation	Other Equity	Retained Earnings		Treasury Stock			Non-controlling	Total
	Note	Common	Preferred	Capital	Control Transactions	Plan	Reserve	Reserve	Reserve	Appro-priated	Unappro-priated	Common	Preferred	Total	Interests	Equity
As at January 1, 2021		P5,951	P300	P366,620	(P328,273)	(P1,640)	P10	(P38)	(P77)	P28,613	P41,122	(P182)	(P30,000)	P82,406	P49,413	P131,819
Remeasurement gain on reserve for retirement plan, net of deferred tax	*29*	-	-	-	-	540	-	-	-	-	-	-	-	540	273	813
Share in other comprehensive loss of joint ventures	*12*	-	-	-	-	-	-	(3)	-	-	-	-	-	(3)	(1)	(4)
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	288	-	-	-	-	-	288	530	818
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	2	-	-	-	-	-	-	2	1	3
Other comprehensive income		-	-	-	-	540	2	285	-	-	-	-	-	827	803	1,630
Net income		-	-	-	-	-	-	-	-	-	19,791	-	-	19,791	11,626	31,417
Total comprehensive income		-	-	-	-	540	2	285	-	-	19,791	-	-	20,618	12,429	33,047
Share issuance costs and others		-	-	-	-	-	-	-	-	-	11	-	-	11	(1)	10
Appropriations - net	*21*	-	-	-	-	-	-	-	-	2,430	(2,430)	-	-	-	-	-
Net addition (reduction) to non-controlling interests		-	-	-	480	(31)	-	(1)	-	-	-	-	-	448	(1,448)	(1,000)
Cash dividends declared	*21*	-	-	-	-	-	-	-	-	-	(10,046)	-	-	(10,046)	(8,368)	(18,414)
As at December 31, 2021		P5,951	P300	P366,620	(P327,793)	(P1,131)	P12	P246	(P77)	P31,043	P48,448	(P182)	(P30,000)	P93,437	P52,025	P145,462

Forward

		Equity Attributable to Equity Holders of the Parent Company														
						Equity Reserves										
		Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Plan	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock		Total	Non-controlling Interests	Total Equity
	Note	Common	Preferred							Appro-priated	Unappro-priated	Common	Preferred			
As at January 1, 2020		P5,951	P300	P366,620	(P328,273)	(P1,728)	P12	P507	(P77)	P22,874	P44,089	(P182)	(P15,000)	P95,093	P48,088	P143,181
Remeasurement gain on reserve for retirement plan, net of deferred tax	*29*	-	-	-	-	88	-	-	-	-	-	-	-	88	146	234
Share in other comprehensive loss of joint ventures	*12*	-	-	-	-	-	-	(38)	-	-	-	-	-	(38)	(16)	(54)
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	(507)	-	-	-	-	-	(507)	(667)	(1,174)
Net loss on financial assets at fair value through other comprehensive income		-	-	-	-	-	(2)	-	-	-	-	-	-	(2)	(2)	(4)
Other comprehensive income (loss)		-	-	-	-	88	(2)	(545)	-	-	-	-	-	(459)	(539)	(998)
Net income		-	-	-	-	-	-	-	-	-	12,476	-	-	12,476	9,925	22,401
Total comprehensive income (loss)		-	-	-	-	88	(2)	(545)	-	-	12,476	-	-	12,017	9,386	21,403
Share issuance costs		-	-	-	-	-	-	-	-	-	(37)	-	-	(37)	(1)	(38)
Appropriations - net	*21*	-	-	-	-	-	-	-	-	5,739	(5,739)	-	-	-	-	-
Redemption of preferred stock		-	-	-	-	-	-	-	-	-	-	-	(15,000)	(15,000)	-	(15,000)
Cash dividends declared	*21*	-	-	-	-	-	-	-	-	-	(9,667)	-	-	(9,667)	(8,060)	(17,727)
As at December 31, 2020		P5,951	P300	P366,620	(P328,273)	(P1,640)	P10	(P38)	(P77)	P28,613	P41,122	(P182)	(P30,000)	P82,406	P49,413	P131,819

Forward

		Equity Attributable to Equity Holders of the Parent Company														
						Equity Reserves										
		Capital Stock		Additional Paid-in	Equity Adjustments from Common	Reserve for Retirement	Fair Value	Translation	Other Equity	Retained Earnings		Treasury Stock			Non-controlling	Total
	Note	Common	Preferred	Capital	Control Transactions	Plan	Reserve	Reserve	Reserve	Appro-priated	Unappro-priated	Common	Preferred	Total	Interests	Equity
As at January 1, 2019 (Audited)		P5,951	P300	P366,620	(P328,273)	(P1,601)	P11	P617	(P77)	P23,312	P35,916	(P182)	(P15,000)	P87,594	P42,521	P130,115
Adjustment due to Philippine Financial Reporting Standards (PFRS) 16		-	-	-	-	-	-	-	-	-	(236)	-	-	(236)	(48)	(284)
As at January 1, 2019		5,951	300	366,620	(328,273)	(1,601)	11	617	(77)	23,312	35,680	(182)	(15,000)	87,358	42,473	129,831
Remeasurement loss on reserve for retirement plan, net of deferred tax	*29*	-	-	-	-	(127)	-	-	-	-	-	-	-	(127)	(82)	(209)
Share in other comprehensive income of joint ventures	*12*	-	-	-	-	-	-	11	-	-	-	-	-	11	5	16
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	(121)	-	-	-	-	-	(121)	(225)	(346)
Net loss on financial assets at fair value through other comprehensive income		-	-	-	-	-	1	-	-	-	-	-	-	1	-	1
Other comprehensive income (loss)		-	-	-	-	(127)	1	(110)	-	-	-	-	-	(236)	(302)	(538)
Net income		-	-	-	-	-	-	-	-	-	18,278	-	-	18,278	14,001	32,279
Total comprehensive income (loss)		-	-	-	-	(127)	1	(110)	-	-	18,278	-	-	18,042	13,699	31,741
Share issuance costs		-	-	-	-	-	-	-	-	-	(4)	-	-	(4)	(2)	(6)
Additions to non-controlling interests	*5*	-	-	-	-	-	-	-	-	-	-	-	-	-	480	480
Reversal of appropriations	*21*	-	-	-	-	-	-	-	-	(438)	438	-	-	-	-	-
Cash dividends declared	*21*	-	-	-	-	-	-	-	-	-	(10,303)	-	-	(10,303)	(8,562)	(18,865)
As at December 31, 2019		P5,951	P300	P366,620	(P328,273)	(P1,728)	P12	P507	(P77)	P22,874	P44,089	(P182)	(P15,000)	P95,093	P48,088	P143,181

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Millions)

	Note	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P40,802**	P31,788	P46,107
Adjustments for:				
Depreciation and amortization and others - net	*25*	**12,094**	11,917	10,828
Interest expense and other financing charges	*27*	**3,360**	3,941	3,120
Impairment losses on receivables and write-down of inventories	*8, 9*	**1,061**	1,635	674
Retirement costs	*29*	**2,576**	902	827
Other charges (income) net of loss (gain) on derivative transactions		**325**	119	(68)
Loss (gain) on sale of investments and property and equipment		**(196)**	36	3
Impairment loss on property, plant and equipment and other noncurrent assets	*27*	**455**	-	1,015
Equity in net losses of joint ventures	*12*	**-**	-	238
Gain on fair valuation of agricultural produce	*9*	**(26)**	(70)	(26)
Interest income	*27*	**(468)**	(734)	(1,133)
Dividend income		**(123)**	-	-
Operating income before working capital changes		**59,860**	49,534	61,585
Decrease (increase) in:				
Trade and other receivables		**(2,805)**	3,449	(4,599)
Inventories		**(9,328)**	(1,693)	4,820
Current portion of biological assets		**295**	750	93
Prepaid expenses and other current assets		**573**	436	(3,034)
Other noncurrent assets		**-**	-	(6,988)
Increase in trade payables and other current liabilities		**5,725**	4,379	7,063
Cash generated from operations		**54,320**	56,855	58,940
Interest received		**446**	740	1,133
Contributions paid	*29*	**(894)**	(941)	(1,085)
Interest paid		**(4,155)**	(4,301)	(3,287)
Income taxes paid		**(8,948)**	(9,800)	(12,785)
Net cash flows provided by operating activities		**40,769**	42,553	42,916

Forward

	Note	**2021**	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments and property and equipment		**P276**	P16	P960
Increase in biological assets, intangible assets and other noncurrent assets	*10, 16, 17*	**(6,660)**	(6,462)	(10,648)
Additions to investments, property, plant and equipment and investment property	*12, 13, 15*	**(10,874)**	(18,752)	(18,506)
Dividends received		**123**	-	-
Net cash flows used in investing activities		**(17,135)**	(25,198)	(28,194)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings	*18*	**87,280**	103,345	264,281
Long-term borrowings	*20*	**18,858**	23,241	21,835
Increase (decrease) in other noncurrent liabilities		**(149)**	26	-
Increase (decrease) to non-controlling interests		**(1,000)**	-	90
Payments of:				
Lease liabilities	*27, 32*	**(596)**	(750)	(1,331)
Long-term borrowings	*20*	**(12,645)**	(882)	(12,928)
Short-term borrowings	*18*	**(92,873)**	(108,405)	(270,409)
Cash dividends paid	*21*	**(18,404)**	(17,721)	(18,858)
Share issuance costs		**11**	(38)	(6)
Redemption of outstanding preferred shares	*21*	**-**	(15,000)	-
Net cash flows used in financing activities		**(19,518)**	(16,184)	(17,326)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**452**	(609)	(370)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,568**	562	(2,974)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**37,013**	36,451	39,425
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P41,581**	P37,013	P36,451

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Unless Otherwise Indicated)

1. Reporting Entity

San Miguel Food and Beverage, Inc. (SMFB or the Parent Company), a subsidiary of San Miguel Corporation (SMC or the Intermediate Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) in October 1956 for a term of 50 years. On August 8, 2006, the stockholders approved the amendment to the Articles of Incorporation of the Parent Company, extending the term for which the corporation is to exist for another 50 years from October 30, 2006 or until October 30, 2056. The amendment was subsequently approved by the SEC.

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Group shall have a perpetual corporate life.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code. Its common and preferred shares are listed on the Philippine Stock Exchange (PSE) since 1973 and 2011, respectively. Top Frontier Investment Holdings, Inc. (Top Frontier) is the ultimate parent company of SMFB and its subsidiaries (SMFB and its subsidiaries collectively referred to as the Group). SMC and Top Frontier are both public companies under Section 17.2 of the Securities Regulation Code (SRC).

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries and the Group's interests in joint ventures (collectively referred to as the Group).

The Group is engaged in various business activities, which include poultry operations, livestock farming and processing and selling of meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of feeds and flour products, specialty oils, spreads, desserts and dairy-based products, snacks and condiments, importation and marketing of coffee and coffee-related products, and grain terminal handling. Following the corporate reorganization in June 2018, the Group is also engaged in manufacturing, selling and distribution of alcoholic and non-alcoholic beverages (NAB).

The principal office address of the Company is at 100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City.

2. Basis of Preparation

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 9, 2022.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries:

	Percentage of Ownership		
	2021	2020	**Country of Incorporation**
Food			
San Miguel Mills, Inc. (SMMI) and subsidiaries [including Golden Bay Grain Terminal Corporation and Golden Avenue Corp.(GAC)]	**100.00**	100.00	Philippines
Magnolia Inc. and subsidiary, Golden Food Management, Inc.	**100.00**	100.00	Philippines
San Miguel Foods, Inc. (SMFI) and subsidiary, Foodcrave Marketing, Inc.	**99.99**	99.99	Philippines
PT San Miguel Foods Indonesia (PTSMFI)	**75.00**	75.00	Indonesia
San Miguel Super Coffeemix Co., Inc. (SMSCCI)	**70.00**	70.00	Philippines
The Purefoods-Hormel Company, Inc. (PF-Hormel)	**60.00**	60.00	Philippines
San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited)) and subsidiary [including San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.]	**100.00**	100.00	British Virgin Islands (BVI)

Forward

	Percentage of Ownership		Country of Incorporation
	2021	2020	
Beer and NAB			
San Miguel Brewery Inc. and Subsidiaries	**51.16**	51.16	Philippines
San Miguel Brewing International Limited and subsidiaries [including Neptunia Corporation Limited and subsidiaries {including San Miguel Company Limited, San Miguel Company Limited (Taiwan Branch), San Miguel Brewery Hong Kong Ltd. (SMBHK) and subsidiaries (including Hong Kong Brewery Limited, San Miguel Shunde Holdings Limited and subsidiary, San Miguel (Guangdong) Brewery Co., Ltd.), San Miguel (Guangdong) Limited and subsidiary, Guangzhou San Miguel Brewery Co. Ltd.[2], San Miguel (China) Investment Company Limited and San Miguel (Baoding) Brewery Co., Ltd.[1] (SMBB)}, San Miguel Holdings (Thailand) Limited and subsidiary, San Miguel Beer (Thailand) Limited, San Miguel Marketing (Thailand) Limited and subsidiaries {including Dragon Island Investments Limited, San Miguel (Vietnam) Limited, San Miguel Brewery Vietnam Company Limited, San Miguel Malaysia (L) Pte. Ltd. and Pt. Delta Djakarta Tbk and subsidiary}]			
Iconic Beverages, Inc. (IBI)			
Brewery Properties Inc. (BPI) and subsidiary, Brewery Landholdings, Inc.			
Spirits			
Ginebra San Miguel Inc. and Subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc. (EPSBPI), Ginebra San Miguel International Ltd. (GSMIL), GSM International Holdings Limited (GSMIHL), Global Beverages Holdings Limited, Siam Holdings Limited, Agricrops Industries Inc., Healthy Condiments, Inc. and Crown Royal Distillers, Inc.]	**75.78**	67.99	Philippines

[1] The company has ceased operations in March 2020 and is in the process of liquidation.
[2] The company has ceased operations in November 2020 and is in the process of liquidation.
[3] The company has ceased operations in October 2021 and is in the process of liquidation.

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiaries as follows: SMFI, PTSMFI, SMSCCI, PF-Hormel, SMB and GSMI (Note 5).

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and, (iii) reclassify the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standard

Effective January 1, 2021, the Group has adopted Coronavirus Disease 2019 (COVID-19) - Related Rent Concessions (Amendments to PFRS 16, *Leases*) beyond June 30, 2021. The optional practical expedient introduced in the 2020 amendments that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19 and which solely applies to reduction in lease payments originally due on or before June 30, 2021 has been extended to June 30, 2022. The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond June 30, 2021.

The adoption of the amended standard did not have a material effect on the consolidated financial statements.

Amended Standards but Not Yet Adopted

A number of amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following amended standards on the respective effective dates:

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of an entity's ordinary activities, the amendments require the entity to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

  The Group is currently performing detailed assessment of the potential effect of adopting the amendments and has yet to reasonably estimate the impact.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.
- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

The effective date of the amendments will be deferred to no earlier than January 1, 2024.

Comments on the Exposure Draft is due on March 21, 2022.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, and noncurrent receivables and deposits, are included under this category (Notes 7, 8, 17, 33 and 34).

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's investments in equity instruments at FVOCI are classified under this category (Notes 12, 33 and 34).

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 33 and 34).

Financial Liabilities

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 33 and 34).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of income.

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 18, 19, 20, 33 and 34).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost and investments in debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses in other comprehensive income, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting
The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

Freestanding Derivatives
The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the "Hedging reserve" account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

The Group has no outstanding derivatives accounted for as cash flow hedge as at December 31, 2021 and 2020 (Note 34).

Embedded Derivatives
The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has embedded derivatives as at December 31, 2021 and 2020 (Note 34).

Inventories
Finished goods, goods in process, materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Finished goods and goods in process	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method.
Materials, supplies and others	-	at cost, using the specific identification method, first-in, first-out method or moving-average method.

Finished Goods. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Goods in Process. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Materials and Supplies, including Coal. Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals, if any, of write-down of inventories arising from an increase in net realizable value are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

Prepaid Expenses and Other Current Assets
Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the consolidated statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Biological Assets and Agricultural Produce
The Group's biological assets include breeding stocks, growing hogs, poultry livestock and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

The Group's agricultural produce, which consists of grown broilers and marketable hogs harvested from the Group's biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers and hogs or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

The carrying amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

	Amortization Period
Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Poultry breeding stock	38 - 42 weeks

Contract Assets

A contract asset is the right to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than the passage of time. The contract asset is transferred to receivable when the right becomes unconditional.

A receivable represents the Group's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

  Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- *Intangible Assets Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

  An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations under Common Control

The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Investments in Shares of Stock of Associates and Joint Ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in shares of stock of an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of an associate or joint venture is recognized as "Equity in net earnings (losses) of associates and joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income (loss) of associates and joint ventures - net" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in the shares of stock of an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in shares of stock of an associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate or joint venture and then recognizes the loss as part of "Equity in net earnings (losses) of associates and joint ventures" account in the consolidated statements of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in an associate or joint venture upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 20
Buildings and improvements	3 - 50
Machinery and equipment	2 - 50
Furniture, other equipment and others	2 - 20
Leasehold improvements	3 – 50 or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and
- the Group has the right to direct the use of the identified asset.

Group as Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

	Number of Years
Land, land and leasehold improvements	2 - 50
Buildings and improvements	2 - 50
Furniture, other equipment and others	10 -12
Machinery and equipment	2 - 7

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The practical expedient is applied consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

Group as Lessor
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Investment Property
Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Land use rights	42 - 50 or term of the lease, whichever is shorter
Buildings and improvements	5 - 50
Right-of-use assets	2 - 15

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization of other intangible assets with finite lives, which is computer software and licenses, is computed using the straight-line method over two to ten years.

The Group assessed the useful lives of licenses and trademarks and brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

Deferred Containers

Returnable bottles, shells and pallets are measured at cost less accumulated amortization and impairment, if any. These are presented as "Deferred containers - net" under "Other noncurrent assets - net" account in the consolidated statements of financial position and are amortized over the estimated useful lives of two to ten years. Depreciable amount is equal to cost less estimated residual value, equivalent to the deposit value. Amortization of deferred containers is included under "Selling and administrative expenses" account in the consolidated statements of income.

The remaining useful lives, residual values, and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of amortization are consistent with the expected pattern of economic benefits from deferred containers.

The carrying amount of deferred containers is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Refundable containers deposits are collected from customers based on deposit value and refunded when the containers are returned to the Group in good condition. These deposits are presented as "Containers deposit" under "Trade payables and other current liabilities" account in the consolidated statements of financial position.

Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level.

If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Contract Liabilities

A deferred income is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a deferred income is recognized when the payment is made or the payment is due (whichever is earlier). Deferred income is recognized as revenue when the Group performs under the contract.

Fair Value Measurements

The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital Stock and Additional Paid-in Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Parent Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Sale of Food and Beverage

Revenue is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts and volume rebate do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each period. Payment is generally due within 30 to 60 days from delivery.

Revenue from Other Sources

Revenue from Agricultural Produce. Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend Income. Dividend income is recognized when the Group's right to receive the payment is established.

Rent Income. Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

Foreign Operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity.

Taxes
Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Income and other taxes payable" accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

Measurement of Biological Assets. Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

Determining whether a Contract Contains a Lease. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Operating Lease Commitments - Group as Lessor. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the consolidated statements of income amounted to P181, P180 and P173 in 2021, 2020 and 2019, respectively (Notes 27, 30 and 32).

Rent expense recognized in the consolidated statements of income amounted to P2,680, P3,182 and P3,118 in 2021, 2020 and 2019, respectively (Notes 23, 24, 30 and 32).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P4,834 and P4,782 as at December 31, 2021 and 2020, respectively (Notes 32, 33, and 34).

Distinction Between Investment Property and Owner-occupied Property. The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Evaluating Control over its Investee. Determining whether the Group has control in an investee requires significant judgment. Although the Group owns less than 50% of the voting rights of BPI, management has determined that the Group has control in this entity by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee.

The Group receives substantially all of the returns related to BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (TGT) as joint ventures (Note 12).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 34.

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 36).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade receivables is not material because substantial amount of trade receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Trade receivables written off amounted to P186 and P119 in 2021 and 2020, respectively. The allowance for impairment losses on trade receivables amounted to P439 and P589 as at December 31, 2021 and 2020, respectively. The carrying amount of trade receivables amounted to P20,034 and P17,794 as of December 31, 2021 and 2020, respectively (Note 8).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2021 and 2020.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Other Financial Assets at Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	*7*	**P41,483**	P36,358
Other current receivables - net (included under "Trade and other receivables - net" account	*8*	**3,790**	3,362
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	*17*	**198**	226

The allowance for impairment losses on noncurrent receivables and deposits, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position, amounted to P42 as of December 31, 2020 (Note 17).

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 10, 12, 13, 14, 15, 16, 17, 19 and 34.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P966, P918 and P727 in 2021, 2020 and 2019, respectively (Note 9).

The carrying amount of inventories amounted to P44,429 and P35,393 as at December 31, 2021 and 2020, respectively (Note 9).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets, Investment Property and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P105,016 and P97,506 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P65,821 and P61,224 as at December 31, 2021 and 2020, respectively (Note 13).

Right-of-use asset, net of accumulated depreciation and amortization amounted to P4,824 and P4,901 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of right-of-use asset amounted to P2,172 and P1,818 as at December 31, 2021 and 2020, respectively (Note 14).

Investment property, net of accumulated depreciation and amortization amounted to P3,393 and P2,959 at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of investment property amounted to P682 and P613 as at December 31, 2021 and 2020, respectively (Note 15).

Deferred containers, net of accumulated amortization, included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position amounted to P26,554 and P26,092 as at December 31, 2021 and 2020, respectively. Accumulated amortization of deferred containers amounted to P17,667 and P15,417 as at December 31, 2021 and 2020, respectively (Note 17).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, net of accumulated amortization, included as part of "Other intangible assets - net" account in the consolidated statements of financial position, amounted to P137 and P89 as at December 31, 2021 and 2020, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P1,227 and P1,192 as at December 31, 2021 and 2020, respectively (Note 16).

Impairment of Goodwill, Trademarks and Brand Names, Licenses, and Formulas and Recipes, and Franchise with Indefinite Useful Lives. The Group determines whether goodwill, trademarks and brand names, licenses, formulas and recipes, and franchise are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names, licenses, formulas and recipes, and franchise. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names, licenses, formulas and recipes, and franchise and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P996 as at December 31, 2021 and 2020 (Note 16).

The combined carrying amounts of trademarks and brand names, licenses, and formulas and recipes, and franchise with indefinite useful lives amounted to P39,029 and P39,455 as at December 31, 2021 and 2020, respectively (Note 16).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The carrying amounts of goodwill and other intangible assets with indefinite lives arising from business combinations amounted to P40,025 and P40,451 as at December 31, 2021 and 2020, respectively (Note 16).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P2,137 and P2,857 as at December 31, 2021 and 2020, respectively (Note 28).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on non-financial assets amounted to P15,843 and P14,364 as at December 31, 2021 and 2020, respectively (Notes 10, 12, 13, 14, 15, 16 and 17).

The combined carrying amounts of investments, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets amounted to P128,271 and P120,965 as at December 31, 2021 and 2020, respectively (Notes 10, 12, 13, 14, 15, 16 and 17).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P18,306 and P18,135 as at December 31, 2021 and 2020, respectively (Note 29).

Asset Retirement Obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as at December 31, 2021 and 2020.

5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments in shares of stock of subsidiaries:

a. On December 4, 2020, the BOD of SMB approved the amendment of the SMB's primary purpose or Article II of its Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products it is authorized to manufacture, sell or otherwise deal in and to submit the same for the approval of the SMB's stockholders by written assent. SMB received the written assent of stockholders representing more than two-thirds (2/3) of the SMB's total outstanding capital stock to the proposed amendment as of February 24, 2021 and filed an application to the SEC for the approval of the said amendment thereafter.

   On March 16, 2021, the SEC approved the amendment of SMB's primary purpose or Article II of SMB's Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products SMB is authorized to manufacture, sell or otherwise deal in.

b. On January 4, 2021, BOD of GSMI executed the redemption and payment of Preferred shares held by SMC and this effectively increased the Parent Company's ownership interest in GSMI from 67.99% to 75.78%.

c. On February 22, 2021, SMFI and Foodcrave entered into an Asset Purchase Agreement with Petron Corporation (Petron), for the sale of certain assets, properties and rights used in the convenience store business operating under the Treats and San Mig Food Ave marks, subject to certain conditions (the Transaction).

   The closing of the Transaction was on March 1, 2021, whereby SMFI and Foodcrave transferred their rights, title and interest in certain identified intangible properties and intangible assets to Petron for a total consideration of P64.

d. On June 14, 2021, the Board of Directors (BOD) and the stockholders of SMFI approved the amendment of the primary purpose of SMFI to include the trading and distribution of household and urban hazardous substances. The amended Articles of Incorporation and By-Laws were approved by SEC on August 18, 2021.

e. On September 13, 2021, the subscription agreement dated March 18, 2015 with subscribed shares of 1,051,722 common shares out of the authorized capital stock for a total subscription price of $1,051,722 or $1.00 per common share was terminated effective immediately due to the current business condition of SMFIL. Both SMFIL and the Parent Company shall bear their respective expenses incurred in connection with the cancellation of the proposed subscription by the Parent Company in SMFIL and return of the deposit to the Parent Company.

f. In October 2021, in an effort to streamline its businesses, Magnolia ceased the operation of La Pacita biscuit acquired in February 2015. Accordingly, the Parent Company assessed the recoverable value of the trademarks, formulations, recipes and other intangible properties relating to La Pacita biscuit and flour-based snack business. It was determined that the carrying amount of the asset was higher than the recoverable amount. Impairment loss was recognized amounting to P386 to reduce the carrying amount of trademark to recoverable amount.

g. On November 10, 2021, the BOD of the Parent Company ratify the approval on the closure of the operations of PTSMFI effective October 31, 2021. The contribution by the Parent Company of the total amount of $3 representing its proportionate share to the total cash advances necessary to settle PTSMFI's outstanding obligations.

h. In 2021, SMMI recognized impairment loss amounting to P31 due to losses to its properties sustained from a fire incident occurred in its production plant in 2020.

i. In 2021, GBGTC recognized impairment loss amounting to P38 due to losses incurred from Typhoon Rolly and Ulysses in 2020.

The details of the Group's material non-controlling interests are as follows:

	December 31, 2021		December 31, 2020	
	SMB	**GSMI**	SMB	GSMI
Percentage of non-controlling interests	**48.84%**	**24.22%**	48.84%	32.01%
Carrying amount of non-controlling interests	**P46,403**	**P2,718**	P41,145	P3,534
Net income attributable to non-controlling interests	**P10,202**	**P1,012**	P8,381	P882
Other comprehensive income (loss) attributable to non-controlling interests	**(P252)**	**(P8)**	(P522)	P28
Dividends paid to non-controlling interests	**P8,092**	**P -**	P7,941	P -

The following are the financial information of SMB and GSMI:

	December 31, 2021		December 31, 2020	
	SMB	**GSMI**	SMB	GSMI
Current assets	**P39,485**	**13,269**	P34,946	P10,874
Noncurrent assets	**105,329**	**5,128**	103,504	5,180
Current liabilities	**(28,017)**	**(5,956)**	(32,703)	(5,720)
Noncurrent liabilities	**(25,676)**	**(922)**	(20,742)	(882)
Net assets	**P91,121**	**P11,519**	P85,005	P9,452
Sales	**P116,286**	**P42,534**	P107,928	P36,202
Net income	**P20,449**	**P4,179**	P17,455	P2,757
Other comprehensive income (loss)	**1,337**	**34**	(881)	(89)
Total comprehensive income	**P21,786**	**P4,213**	P16,574	P2,668
Cash flows provided by operating activities	**P24,443**	**P2,529**	P23,596	P5,179
Cash flows used in investing activities	**(5,683)**	**(625)**	(13,139)	(388)
Cash flows used in financing activities	**(16,540)**	**(2,347)**	(16,112)	(2,322)
Effect of exchange rate changes on cash and cash equivalents	**458**	**3**	(611)	(4)
Net increase (decrease) in cash and cash equivalents	**P2,678**	**(P440)**	(P6,266)	P2,465

6. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed by SMFB separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three reportable segments, namely: Food, Beer and Non-alcoholic Beverage (NAB) and Spirits. Management identified and grouped the operating units in its operating segments with the objective of transforming the Group into a more rationalized and focused organization. The structure aims to boost efficiencies across the Group and raise effectiveness in defining and meeting the needs of consumers in innovative ways.

The Food segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds ("Animal Nutrition and Health"); (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations ("Others").

The Beer and NAB segment is engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets.

The Spirits segment is engaged in the production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other hard liquor variants which are available nationwide, while some are exported to select countries.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade payables and other current liabilities, and other noncurrent liabilities, excluding interest and dividends payable. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in the consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Financial information about reportable segments follows:

	Note	2021					
		Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
Sales							
External		P150,969	P116,280	P42,529	P309,778	P -	P309,778
Inter-segment		1	6	5	12	(12)	-
Total sales		P150,970	P116,286	P42,534	P309,790	(P12)	P309,778
Segment operating result							P43,695
Interest expense and other financing charges							(3,360)
Interest income							468
Gain on sale of investments and property and equipment							196
Other charges - net							(197)
Income tax expense							(9,385)
Net income							P31,417
Attributable to:							
Equity holders of the Parent Company							P19,791
Non-controlling interests							11,626
Net income							P31,417
Other Information							
Segments assets		P126,503	P103,528	P17,593	P247,624	(P62)	P247,562
Investments		20	5,137	-	5,157	-	5,157
Right-of-use assets - net		2,656	1,913	176	4,745	2	4,747
Goodwill, trademarks and brand names		3,582	33,606	819	38,007	-	38,007
Other assets		1	12	1	14	-	14
Deferred tax assets		1,019	618	500	2,137	-	2,137
Consolidated total assets		P133,781	P144,814	P19,089	P297,684	(P60)	P297,624
Segment liabilities		P40,004	P17,107	P5,756	P62,867	(P59)	P62,808
Loans payable		5,191	-	-	5,191	-	5,191
Long-term debt		41,687	31,388	330	73,405	-	73,405
Lease liabilities		3,357	1,287	191	4,835	(1)	4,834
Income and other taxes payable		1,297	3,718	590	5,605	-	5,605
Dividends and interest payable		89	193	11	293	-	293
Deferred tax liabilities		26	-	-	26	-	26
Consolidated total liabilities		P91,651	P53,693	P6,878	P152,222	(P60)	P152,162
Capital expenditures	*13*	P7,600	P2,681	P593	P10,874	P -	P10,874
Depreciation and amortization of property, plant and equipment	*13, 25*	2,703	1,780	578	5,061	-	5,061
Non-cash items and others (excluding depreciation and amortization of property, plant and equipment)		3,398	3,686	119	7,203	-	7,203

** Includes operating expenses of the Parent Company*

	Note	2020					
		Food*	Beer and NAB	Spirits	Total Reportable Segments	Elimination	Consolidated
Sales							
External		P135,169	P107,923	P36,198	P279,290	P -	P279,290
Inter-segment		1	5	4	10	(10)	-
Total sales		P135,170	P107,928	P36,202	P279,300	(P10)	P279,290
Segment operating result							P33,412
Interest expense and other financing charges							(3,941)
Interest income							734
Loss on sale of investments and property and equipment							(36)
Other income (charges) - net							1,619
Income tax expense							(9,387)
Net income							P22,401
Attributable to:							
Equity holders of the Parent Company							P12,476
Non-controlling interests							9,925
Net income							P22,401
Other Information							
Segments assets		P113,037	P97,273	P15,178	P225,488	(P102)	P225,386
Investments		18	4,837	4	4,859	-	4,859
Right-of-use assets - net		2,787	1,898	157	4,842	(18)	4,824
Goodwill, trademarks and brand names		4,007	33,512	819	38,338	-	38,338
Other assets		3	12	3	18	-	18
Deferred tax assets		1,356	918	583	2,857	-	2,857
Consolidated total assets		P121,208	P138,450	P16,744	P276,402	(P120)	P276,282
Segment liabilities		P33,943	P15,871	P5,542	P55,356	(P99)	P55,257
Loans payable		10,780	-	-	10,780	-	10,780
Long-term debt		34,692	31,911	496	67,099	-	67,099
Lease liabilities		3,362	1,263	177	4,802	(20)	4,782
Income and other taxes payable		1,633	4,034	377	6,044	-	6,044
Dividends and interest payable		101	366	8	475	-	475
Deferred tax liabilities		26	-	-	26	-	26
Consolidated total liabilities		P84,537	P53,445	P6,600	P144,582	(P119	P144,463
Capital expenditures	*13*	P8,293	P5,248	P291	P13,832	P -	P13,832
Depreciation and amortization of property, plant and equipment	*13, 25*	2,149	1,578	630	4,357	(2)	4,355
Non-cash items and others (excluding depreciation and amortization of property, plant and equipment)		4,040	2,894	600	7,534	-	7,534

** Includes operating expenses of the Parent Company*

	Note	2019					
		Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
Sales							
External		P139,455	P142,267	P29,063	P310,785	P -	P310,785
Inter-segment		4	5	-	9	(9)	-
Total sales		P139,459	P142,272	P29,063	P310,794	(P9)	P310,785
Segment operating result		P6,176	P38,720	P2,878	P47,774	P7	P47,781
Interest expense and other financing charges							(3,120)
Interest income							1,133
Equity in net losses of joint ventures							(238)
Gain (loss) on sale of investments and property and equipment							(3)
Other income (charges) - net							554
Income tax expense							(13,828)
Net income							P32,279
Attributable to:							
Equity holders of the Parent Company							P18,278
Non-controlling interests							14,001
Net income							P32,279
Other Information							
Segments assets		P103,008	P103,435	P13,699	P220,142	(P65)	P220,077
Investments		20	39	58	117	-	117
Right-of-use assets - net		2,634	1,955	196	4,785	-	4,785
Goodwill, trademarks and brand names							38,423
Other assets							39
Deferred tax assets							2,526
Consolidated total assets							P265,967
Segment liabilities		P31,551	P14,502	P4,785	P50,838	(P65)	P50,773
Loans payable							15,851
Long-term debt							44,653
Lease liabilities							4,531
Income and other taxes payable							6,496
Dividends and interest payable							456
Deferred tax liabilities							26
Consolidated total liabilities							P122,786
Capital expenditures	*13*	P11,208	P6,769	P387	P18,364	P -	P18,364
Depreciation and amortization of property, plant and equipment	*13, 25*	1,521	1,451	610	3,582	-	3,582
Non-cash items and others (excluding depreciation and amortization of property, plant and equipment)		3,890	3,892	116	7,898	-	7,898
Loss on impairment of property, plant and equipment and noncurrent assets		-	903	112	1,015	-	1,015

** Includes operating expenses of the Parent Company*

Disaggregation of Revenue:

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments:

	Food			Beer and NAB			Spirits			Consolidated		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Timing of Revenue Recognition												
Sales recognized at point in time	**P150,947**	P135,138	P139,422	**P116,280**	P107,923	P142,267	**P42,529**	P36,198	P29,024	**P309,756**	P279,259	P310,713
Sales recognized over time	**22**	31	33	**-**	-	-	**-**	-	39	**22**	31	72
Total External Sales	**P150,969**	P135,169	P139,455	**P116,280**	P107,923	P142,267	**P42,529**	P36,198	P29,063	**P309,778**	P279,290	P310,785

7. Cash and Cash Equivalents

This account consists of:

	Note	**2021**	2020
Cash in banks and on hand		**P11,897**	P9,670
Short-term investments		**29,684**	27,343
	4, 33, 34	**P41,581**	P37,013

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 27).

8. Trade and Other Receivables

This account consists of:

	Note	**2021**	2020
Trade		**P20,407**	P18,344
Non-trade		**2,247**	1,811
Amounts owed by related parties	*30*	**1,588**	1,431
		24,242	21,586
Less allowance for impairment losses	*4*	**1,385**	1,554
	4, 33, 34	**P22,857**	P20,032

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade receivables include advances to contract growers and breeders, receivables from truckers and toll partners, insurance and freight claims, receivables from employees, interest and others.

The movements in the allowance for impairment losses are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P1,554**	P987
Charges for the year - net		**91**	716
Amounts written off	*4*	**(277)**	(132)
Translation adjustments		**17**	(17)
Balance at end of year		**P1,385**	P1,554

9. Inventories

This account consists of:

		2021	2020
At net realizable value:			
Finished goods and goods in process		**P13,606**	P10,789
Materials and supplies		**30,823**	24,604
	4	**P44,429**	P35,393

The cost of inventories as at December 31 are as follows:

	2021	2020
Finished goods and goods in process	**P13,829**	P10,996
Materials and supplies	**31,183**	25,007
	P45,012	P36,003

The write-down of inventories amounted to P966, P918 and P727 in 2021, 2020 and 2019, respectively (Notes 4, 23 and 24). The Group has written off inventories amounting to P255, P249 and P817 in 2021, 2020 and 2019, respectively.

The allowance for write-down of inventories to net realizable value amounted to P583 and P610 as at December 31, 2021 and 2020, respectively.

The cost of inventories used recognized under "Cost of sales" account in consolidated statements of income amounted to P124,729, P115,597 and P123,047 in 2021, 2020 and 2019, respectively (Note 23).

The fair value of agricultural produce less costs to sell, which formed part of the cost of the finished goods inventory, amounted to P112 and P200 as at December 31, 2021 and 2020, respectively, with corresponding costs at point of harvest amounting to P86 and P130, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P26, P70 and P26 in 2021, 2020 and 2019, respectively (Note 22).

The fair values of marketable hogs and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

10. Biological Assets

This account consists of:

	Note	**2021**	2020
Current:			
Growing stocks		**P2,509**	P2,591
Goods in process		**597**	810
		3,106	3,401
Noncurrent:			
Breeding stocks - net		**2,244**	2,352
	4	**P5,350**	P5,753

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P2,896, P3,565 and P3,152 in 2021, 2020 and 2019 respectively (Note 25).

The movements in biological assets are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**P6,338**	P8,511
Increase (decrease) due to:			
Production		**47,234**	47,131
Purchases		**306**	349
Mortality		**(405)**	(1,396)
Harvest		**(44,551)**	(43,622)
Retirement		**(3,021)**	(4,635)
Balance at end of year		**5,901**	6,338
Accumulated Amortization			
Balance at beginning of year		**585**	1,552
Amortization	*25*	**2,896**	3,565
Retirement		**(2,930)**	(4,532)
Balance at end of year		**551**	585
Carrying Amount		**P5,350**	P5,753

The Group harvested approximately 599.9 million and 575.7 million kilograms of grown broilers in 2021 and 2020, respectively, and 0.29 million and 0.45 million heads of marketable hogs and cattle in 2021 and 2020, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P63,349 and P64,875 in 2021 and 2020, respectively.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	**2021**	2020
Prepaid income tax	*36*	**P2,701**	P3,474
Input tax		**2,325**	2,140
Prepaid expenses	*30*	**774**	667
Derivative assets	*33, 34*	**23**	172
Advances to contractors and suppliers		**185**	131
Others	*30*	**349**	617
		P6,357	P7,201

Prepaid expenses include prepaid rent, insurance, promotional expenses and various operating expenses.

"Others" include advance payments and deposits.

"Prepaid expenses" and "Others" accounts include amounts owed by related parties amounting to P31 and P22 as at December 31, 2021 and 2020, respectively (Note 30). The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 34.

12. Investments

This account consists of:

	Note	**2021**	2020
Investments in joint ventures		**P -**	P4
Financial assets at FVOCI	*33, 34*	**5,157**	4,855
	4	**P5,157**	P4,859

Investments in Joint Ventures

The movements in investments in joint ventures are as follows:

	2021	2020
Balance at beginning of year	**P4**	P58
Share in other comprehensive loss	**(4)**	(54)
	P -	P4

a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which GSMI owns 44.9% effective ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

The details of the investment in TSML which is accounted for using the equity method are as follows:

	2021	2020
Current assets	**P772**	P942
Noncurrent assets	**828**	989
Current liabilities	**(1,281)**	(1,378)
Net assets	**319**	553
Percentage of ownership	**44.9%**	44.9%
Amount of investment in joint venture	**143**	P248
Carrying amount of investment in joint venture - net	**P -**	P4

	2021	2020
Sales	**P875**	P1,375
Cost of sales	**(976)**	(1,337)
Operating expenses	**(80)**	(102)
Other charge	**(31)**	(21)
Net loss	**(212)**	(85)
Percentage of ownership	**44.9%**	44.9%
Share in net loss	**(95)**	(38)
Share in other comprehensive income (loss)	**(4)**	(54)
Total comprehensive loss	**(P99)**	(P92)

The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 3% and 2% in 2021 and 2020, respectively. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections are 11% and 9% in 2021 and 2020, respectively. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The Group assessed the recoverable amount of TSML and the result of such assessment was that the carrying amount is higher than its recoverable amount resulting in impairment loss amounting to P167 in 2020 and 2019, respectively and is included as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

The Group discontinued recognizing its share in the net losses of TSML since the cumulative losses already exceeded the cost of investment. If TSML reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net losses amounted to P95 and P38 as at December 31, 2021 and 2020, respectively.

The recoverable amount of investment in TSML has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 3).

b. TGT

GSMI, through GSMIHL, also has an existing 44.9% effective ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

The details of the investment in TGT which is accounted for using the equity method are as follows:

	2021	2020
Current assets	**P23**	P28
Noncurrent assets	**1**	1
Current liabilities	**(938)**	(974)
Noncurrent liabilities	**-**	-
Net liabilities	**(914)**	(945)
Percentage of ownership	**44.9%**	44.9%
Amount of investment in joint venture	**(P410)**	(P424)
Carrying amount of investment in joint venture - net	**P -**	P -

	2021	2020
Sales	**P40**	P50
Cost of sales	**(33)**	(42)
Operating expenses	**(23)**	(20)
Other income	**1**	-
Net loss	**(15)**	(12)
Percentage of ownership	**44.9%**	44.9%
Share in net loss	**(7)**	(5)
Share in other comprehensive loss	**(60)**	(20)
Total comprehensive loss	**(P67)**	(P25)

GSMI discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceeded the cost of investment. If TGT reports profits subsequently, GSMI resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net liabilities amounted to P410 and P424 as at December 31, 2021 and 2020, respectively.

Financial Assets at FVOCI

The Group's financial assets at FVOCI pertain to investments in shares of stock and other equity securities.

The Group's financial assets at FVOCI are as follows:

	Note	**2021**	2020
Redeemable perpetual securities		**P5,100**	P4,803
Other Equity Securities		**57**	52
	33, 34	**P5,157**	P4,855

On August 4, 2020, SMB, through San Miguel Brewing International Ltd. (SMBIL), signed a subscription agreement with SMC for the subscription of the latter's redeemable perpetual securities (RPS) with aggregate face value amount of $100 or P4,850. The RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. SMBIL will have the right to receive distribution at 2.5% per annum, payable quarterly in arrears every November 5, February 5, May 5 and August 5 of each year commencing on November 5, 2020. SMC has a right to defer this distribution under certain conditions. As at December 31, 2021 and 2020, SMBIL received dividend income amounting to P123 and P30, respectively and are presented as part of "Other income - net" in the consolidated statements of income.

The methods and assumptions used to estimate the fair value of financial assets at FVOCI are discussed in Note 34.

13. Property, Plant and Equipment

This account consists of:

	Note	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2020		P15,807	P27,970	P75,114	P4,353	P877	P22,802	P146,923
Additions		47	37	135	77	15	13,521	13,832
Disposals		(5)	(37)	(570)	(595)	(3)	-	(1,210)
Reclassifications		589	4,897	9,555	222	216	(15,780)	(301)
Currency translation adjustments		(67)	(137)	(281)	(28)	-	(1)	(514)
December 31, 2020		16,371	32,730	83,953	4,029	1,105	20,542	158,730
Additions		79	40	101	176	4	10,474	10,874
Disposals		(1)	(239)	(501)	(107)	(65)	(1)	(914)
Reclassifications		(102)	1,642	3,103	50	529	(4,851)	371
Currency translation adjustments		(47)	507	1,276	31	3	6	1,776
December 31, 2021		**16,300**	**34,680**	**87,932**	**4,179**	**1,576**	**26,170**	**170,837**
Accumulated Depreciation and Amortization								
January 1, 2020		1,254	9,673	44,039	3,179	332	-	58,477
Depreciation and amortization	*25*	172	841	2,907	365	70	-	4,355
Disposals		(5)	(36)	(532)	(589)	(3)	-	(1,165)
Reclassifications		(13)	(68)	(9)	3	(29)	-	(116)
Currency translation adjustments		(6)	(84)	(214)	(23)	-	-	(327)
December 31, 2020		1,402	10,326	46,191	2,935	370	-	61,224
Depreciation and amortization	*25*	225	1,008	3,372	372	84	-	5,061
Disposals		(1)	(205)	(471)	(90)	(60)	-	(827)
Reclassifications		(76)	(126)	(97)	(82)	28	-	(353)
Currency translation adjustments		-	174	518	26	(2)	-	716
December 31, 2021		**1,550**	**11,177**	**49,513**	**3,161**	**420**	**-**	**65,821**

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses							
January 1, 2020	P -	P3,100	P9,720	P88	P1	P -	P12,909
Impairment	-	-	-	-	-	-	-
Disposals	-	-	(11)	(3)	-	-	(14)
Reclassifications	-	-	(1)	(4)	-	-	(5)
Currency translation adjustments	-	27	(33)	(2)	-	-	(8)
December 31, 2020	-	3,127	9,675	79	1	-	12,882
Impairment	38	1	29	-	-	-	68
Disposals	-	-	(19)	(3)	-	-	(22)
Reclassifications	-	-	9	(9)	-	-	-
Currency translation adjustments	-	264	733	6	-	-	1,003
December 31, 2021	**38**	**3,392**	**10,427**	**73**	**1**	**-**	**13,931**
Carrying Amount							
December 31, 2020	P14,969	P19,277	P28,087	P1,015	P734	P20,542	P84,624
December 31, 2021	**P14,712**	**P20,111**	**P27,992**	**P945**	**P1,155**	**P26,170**	**P91,085**

Depreciation and amortization recognized in the consolidated statements of income amounted to P5,061, P4,355 and P3,582 in 2021, 2020 and 2019, respectively (Note 25).

The Group has interest amounting to P545, P488 and P586 which were capitalized in 2021, 2020 and 2019, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.95% to 7.03%, 3.61% to 9.13% and 6.09% to 7.50% in 2021, 2020 and 2019, respectively. The unamortized capitalized borrowing costs amounted to P1,522, P1,342 and P866 as at December 31, 2021, 2020 and 2019, respectively.

The accumulated impairment losses of unutilized machinery and equipment of GSMI amounted to P308 as at December 31, 2021 and 2020.

In 2020, property, plant and equipment of a hog farm was reclassified to “Other noncurrent assets - net” account due to the impact of the African Swine Fever (ASF) that resulted in extended downtime of the facility.

Certain fully depreciated property, plant and equipment with aggregate cost of P29,067 and P27,509 as at December 31, 2021 and 2020, respectively, are still being used in the Group's operations.

14. Right-of-Use Asset

The movements in this account are as follows:

	Note	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Total
Cost						
January 1, 2020		P3,172	P2,495	P4	P450	P6,121
Additions		720	78	2	13	813
Disposals/reclassifications		72	(241)	-	(33)	(202)
Currency translation adjustments		(13)	-	-	-	(13)
December 31, 2020		3,951	2,332	6	430	6,719
Additions		17	875	29	24	945
Disposals/reclassifications		(58)	(687)	(3)	(13)	(761)
Currency translation adjustments		89	3	1	-	93
December 31, 2021		**3,999**	**2,523**	**33**	**441**	**6,996**
Accumulated Depreciation and Amortization						
January 1, 2020		626	455	3	172	1,256
Depreciation and amortization	*25*	164	481	1	172	818
Reclassifications		5	(233)	-	(27)	(255)
Currency translation adjustments		(2)	-	-	1	(1)
December 31, 2020		793	703	4	318	1,818
Depreciation and amortization	*25*	163	413	3	104	683
Reclassifications		(27)	(331)	(3)	(13)	(374)
Currency translation adjustments		40	4	2	(1)	45
December 31, 2021		**969**	**789**	**6**	**408**	**2,172**

Forward

	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Total
Accumulated Impairment Losses					
January 1, 2020	80	-	-	-	P80
Currency translation adjustments	(3)	-	-	-	(3)
December 31, 2020 and 2021	**77**	**-**	**-**	**-**	**77**
Carrying Amount					
December 31, 2020	P3,081	P1,629	P2	P112	P4,824
December 31, 2021	**P2,953**	**P1,734**	**P27**	**P33**	**P4,747**

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to fifty years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

In 2020, the Group renewed its lease for certain parcel of land and transportation equipment resulting to lease modification and remeasurement of its right-of-use assets and lease liabilities recognized in the consolidated statement of financial position.

The Group recognized interest expense related to these leases amounting to P354, P367 and P332 in 2021, 2020 and 2019, respectively (Note 27). The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases and leases of low-value assets amounted to P502, P1,258 and P1,036 in 2021, 2020 and 2019, respectively.

The Group had total cash outflows for leases of P4,834, P4,782 and P4,531 in 2021, 2020, and 2019 respectively (Note 32).

15. Investment Property

The movements in this account are as follows:

	Note	Land and Land Improvements	Land Use Rights	Buildings and Improvements	Total
Cost					
January 1, 2020		P2,166	P661	P740	P3,567
Additions		68	-	2	70
Reclassifications		(82)	-	82	-
Currency translation adjustments		-	(31)	(34)	(65)
December 31, 2020		2,152	630	790	3,572
Additions		1	-	-	1
Reclassification		428	-	-	428
Currency translation adjustments		-	35	39	74
December 31, 2021		**2,581**	**665**	**829**	**4,075**
Accumulated Depreciation and Amortization					
January 1, 2020		-	233	371	604
Depreciation and amortization	*25*	-	15	20	35
Reclassifications		-	-	2	2
Currency translation adjustments		-	(10)	(18)	(28)
December 31, 2020		-	238	375	613
Depreciation and amortization	*25*	-	15	20	35
Currency translation adjustments		-	14	20	34
December 31, 2021		**-**	**267**	**415**	**682**
Accumulated Impairment Losses					
December 31, 2020 and 2021		**8**	**-**	**-**	**8**
Carrying Amount					
December 31, 2020		P2,144	P392	P415	P2,951
December 31, 2021		**P2,573**	**P398**	**P414**	**P3,385**

No impairment loss was recognized in 2021, 2020 and 2019.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2021, 2020 and 2019.

The fair value of investment property amounting to P12,389 and P9,609 as at December 31, 2021 and 2020, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined either by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers or the credit management group of the Parent Company provide the fair value of the Group's investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs
The valuation of investment property applied the following approaches:

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

The valuation using the Income Approach considers the capitalization of net rent income receivable from existing tenancies and the reversionary value of the property after tenancies expire by reference to market sales transactions. The significant unobservable input in the fair value measurement is the discount rate, which ranged from 1.0% to 5.0% in 2021 and 2020.

16. Goodwill and Other Intangible Assets

This account consists of:

	2021	2020
Goodwill	**P996**	P996
Other intangible assets	**39,160**	39,538
	P40,156	P40,534

Other intangible consists of:

	2021	2020
Trademarks and brand names	**P36,953**	P37,284
Licenses	**2,011**	2,106
Computer software and licenses	**131**	83
Formulas and recipes	**58**	58
Franchise	**7**	7
	P39,160	P39,538

The movements in other intangible assets with indefinite useful lives are as follows:

	Trademarks and Brand Names	Licenses	Formulas and Recipes and Franchise	Total
Cost				
January 1, 2020	P37,600	P2,211	P65	P39,876
Cumulative translation adjustments	(95)	(105)	-	(200)
December 31, 2020	37,505	2,106	65	39,676
Disposals	(45)			(45)
Cumulative translation adjustments	113	(95)	-	18
December 31, 2021	**37,573**	**2,011**	**65**	**39,649**
Accumulated Impairment Losses				
January 1, 2020	231	-	-	231
Cumulative translation adjustments	(10)	-	-	(10)
December 31, 2020	221	-	-	221
Impairment	386			386
Cumulative translation adjustments	13	-	-	13
December 31, 2021	**620**	**-**	**-**	**620**
Carrying Amount				
December 31, 2020	P37,284	P2,106	P65	P39,455
December 31, 2021	**P36,953**	**P2,011**	**P65**	**P39,029**

The movements in other intangible assets with finite useful lives are as follows:

	Note	Computer Software and Licenses
Cost		
January 1, 2020		P1,265
Additions		12
Disposals/reclassifications		10
Cumulative translation adjustments		(6)
December 31, 2020		1,281
Additions		48
Disposals/reclassifications		29
Cumulative translation adjustments		6
December 31, 2021		**1,364**
Accumulated Amortization		
January 1, 2020		1,150
Amortization	*25*	50
Disposals/reclassifications		(3)
Cumulative translation adjustments		(5)
December 31, 2020		1,192
Amortization	*25*	54
Disposals/reclassifications		(25)
Cumulative translation adjustments		7
December 31, 2021		**1,228**
Accumulated Impairment Losses		
December 31, 2020		**6**
Disposals/reclassifications		**(1)**
December 31, 2021		**5**

Forward

	Computer Software and Licenses
Carrying Amount	
December 31, 2020	P83
December 31, 2021	**P131**

Goodwill, licenses, trademarks and brand names, formulas and recipes, and franchise with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2021		2020	
	Goodwill	**Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise**	Goodwill	Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise
Food	**P177**	**P3,412**	P177	P3,837
Spirits	**819**	**-**	819	-
Beer and NAB	**-**	**35,617**	-	35,618
Total	**P996**	**P39,029**	P996	P39,455

Goodwill
The recoverable amount of goodwill has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from 3% to 5% in 2021 and 2% to 5% in 2020, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 9% to 11% in 2021 and and 9% to 13% in 2020. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

No impairment loss was recognized for goodwill in 2021, 2020 and 2019.

Trademarks and Brand Names
The recoverable amount of trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 5% and 2% to 3% in 2021 and 2020, respectively, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections range from 5.9% to 12% and 6.0% to 15.1% in 2021 and 2020, respectively. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Management's calculations are updated to reflect the most recent developments as at reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. Management also considered the expected improvement of the economy in 2021, the lifting of liquor bans, consumer spending and expected increase in revenues through its promotional strategies.

Impairment loss on La Pacita Trademark amounting to P386 was recognized in 2021 with a recoverable amount of P60 while no impairment loss was recognized for trademarks and brand names in 2020 and 2019.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts is based would not cause their carrying amounts to exceed their recoverable amounts.

The calculations of value in use (terminal value) are most sensitive to the following assumptions:

Gross Margins. Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

Discount Rate. The risk-adjusted weighted average cost of capital is used as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Raw Material Price Inflation. Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

17. Other Noncurrent Assets

This account consists of:

	Note	**2021**	2020
Deferred containers - net	*4*	**P25,817**	P25,358
Noncurrent receivables and deposits - net	*4, 30, 33, 34*	**198**	226
Others	*29, 30*	**4,368**	4,657
		P30,383	P30,241

The movements in the deferred containers are as follows:

	Note	**2021**	2020
Gross Carrying Amount			
Balance at beginning of year		**P41,510**	P40,366
Additions		**4,154**	2,648
Disposals/reclassifications		**(1,532)**	(1,391)
Currency translation adjustments		**89**	(114)
Balance at end of year		**44,221**	41,509
Accumulated Amortization			
Balance at beginning of year		**15,417**	13,372
Amortization	*25*	**3,006**	2,703
Disposals/reclassifications		**(787)**	(631)
Currency translation adjustments		**31**	(27)
Balance at end of year		**17,667**	15,417

Forward

	2021	2020
Accumulated Impairment		
Balance at beginning of year	**P734**	P681
Impairment	**738**	682
Disposals/reclassification	**(737)**	(626)
Currency translation adjustments	**2**	(3)
	737	734
	P25,817	P25,358

Allowance for impairment losses on noncurrent receivables and deposits amounted to P42 as at December 31, 2020 (Note 4).

"Others" include pallets, kegs and CO2 cylinders, idle assets, defined benefit retirement asset and other noncurrent assets.

Idle assets, net of depreciation and impairment losses, amounted to P862 and P769 as at December 31, 2021 and 2020, respectively. Accumulated impairment losses on idle assets amounted to P462 and P435 as at December 31, 2021 and 2020, respectively.

"Noncurrent receivables and deposits" and "Others" accounts include amounts owed by related parties amounting to P170 and P111 as at December 31, 2021 and 2020, respectively (Note 30).

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits are discussed in Note 34.

18. Loans Payable

This account consists of:

	Note	2021	2020
Peso-denominated		**P5,191**	P10,684
Foreign currency-denominated		**-**	96
	33, 34	**P5,191**	P10,780

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates for peso-denominated loans ranged from 2.50% to 2.70% and 2.50% to 6.00% in 2021 and 2020, respectively. Interest rates for foreign currency-denominated loans ranged was 3.87% in 2020 (Note 27).

Changes in liabilities arising from financing activities are as follows:

	2021	2020
Balance as at January 1	**P10,780**	P15,851
Changes from Financing Activities		
Proceeds from borrowings	**87,280**	103,345
Payments of borrowings	**(92,873)**	(108,405)
Total Changes from Financing Activities	**5,187**	10,791
Effect of Changes in Foreign Exchange Rates	**4**	(11)
Balance as at December 31	**P5,191**	P10,780

19. Trade Payables and Other Current Liabilities

This account consists of:

	Note	**2021**	2020
Trade		**P11,955**	P13,069
Non-trade		**27,797**	24,660
Amounts owed to related parties	*30*	**12,319**	8,811
Derivative liabilities	*33, 34*	**204**	24
Containers deposit		**7,019**	6,230
Others		**1,523**	1,644
	33, 34	**P60,817**	P54,438

Trade payables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade payables include contract growers/breeders' fees and tolling fees.

"Others" include accruals for payroll, interest, repairs and maintenance, freight, trucking and handling and other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 34.

20. Long-term Debt

This account consists of:

	Note	**2021**	2020
Bonds:			
Series F bonds, fixed interest rate of 6.60% maturing in 2022 *(a)*		**P6,998**	P6,988
Series G bonds, fixed interest rate of 5.50% maturing in 2021 *(a)*		**-**	12,456
Series H bonds, fixed interest rate of 6.00% maturing in 2024 *(a)*		**2,531**	2,528
Series A bonds, fixed interest rates of 5.05% maturing 2025 *(b)*		**7,931**	7,911
Series B bonds, fixed interest rates of 5.25% maturing 2027 *(b)*		**6,929**	6,918
Term note:			
Fixed interest rate of 4.63% with maturities up to 2024 (*c*)		**9,953**	9,939
Fixed interest rate of 3.95% with maturities up to 2026 (*c*)		**1,986**	-
Fixed interest rate of 3.95% with maturities up to 2026 (*c*)		**1,490**	-
Fixed interest rate of 3.875% with maturities up to 2026 (*c*)		**2,468**	-
Fixed interest rate of 4.15% with maturities up to 2028 (*c*)		**1,987**	-
Fixed interest rate of 3.8% with maturities up to 2026 (*c*)		**3,975**	-
Fixed interest rate of 4.2105% with maturities up to 2023 (*d*)		**331**	496

Forward

	Note	**2021**	2020
Fixed interest rate of 3.5483% maturing in 2029 (*e*)		**9,938**	9,932
Floating interest rate based on 3-month BVAL plus margin or 28-day BSP Term Deposit Auction Facility (BSP TDF) plus margin, whichever is higher, maturing in 2029 (*e*)		**7,949**	7,944
Fixed interest rate of 3.2840% with maturities up to 2026 (*f*)		**1,989**	1,987
Fixed interest rate of 3.846% (*g*)		**6,950**	-
Fixed interest rate of 8.348% with maturities up to 2023 (*h*)		**-**	-
	33, 34	**73,405**	67,099
Less current maturities		**7,180**	12,621
		P66,225	P54,478

Bonds

(a) The amount represents unsecured long-term debt incurred by SMB: (a) to support the redemption of the Series A bonds which matured on April 3, 2012; (b) to support the partial prepayment of the US$300 unsecured loan facility agreement (which was paid in full in 2013); and (c) to support the redemption of the Series B bonds which matured on April 4, 2014.

SMB's unsecured long-term notes comprise the Philippine peso-denominated fixed rate bonds in the aggregate principal amount of: (a) P7,000 pertaining to the aggregate principal amount of the Series F bonds which remain outstanding of the P20,000 bonds (P20,000 Bonds) that were issued on April 2, 2012 (P20,000 Bonds Issue Date); and (b) P15,000 (P15,000 Bonds) which were issued on April 2, 2014 (P15,000 Bonds Issue Date).

The P20,000 Bonds which originally consisted of the Series D bonds (with a term of five years and one day from the P20,000 Bonds Issue Date), the Series E bonds (with a term of seven years from the P20,000 Bonds Issue Date), and the Series F bonds (with a term of ten years from the P20,000 Bonds Issue Date) were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 16, 2012. The Series E bonds and Series F bonds were listed on the PDEx for trading on April 2, 2012, while the Series D bonds were listed on the PDEx for trading on October 3, 2012. The Series D bonds with an aggregate principal amount of P3,000 matured on April 3, 2017 and was accordingly redeemed by SMB on the said date. The Series E bonds with an aggregate principal amount of P10,000 matured on April 2, 2019 and were accordingly redeemed by SMB on the said date. Only the Series F bonds remain outstanding of the P20,000 Bonds. SMB used its available cash to finance the maturity of the Series D bonds and Series E bonds. Unamortized debt issue costs related to the Series E and F bonds amounted to P2 and P12 for Series F bonds as at December 31, 2021 and 2020, respectively.

The P15,000 Bonds consist of the Series G bonds (with a term of seven years from the P15,000 Bonds Issue Date) and Series H bonds (with a term of ten years from the P15,000 Bonds Issue Date). The P15,000 Bonds were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 17, 2014 and were listed on the PDEx for trading on April 2, 2014. The Series G bonds with an aggregate principal amount of P12,462 matured on April 5, 2021 (April 2 being a non-business day) and were accordingly redeemed by SMB on the said date. Unamortized debt issue costs related to the P15,000 Bonds amounted to P7 and P16 as at December 31, 2021 and 2020, respectively.

Interest on the P20,000 Bonds are paid semi-annually every April 2 and October 2 of each year (each, a P20,000 Bonds Interest Payment Date), save for the first interest payment of the Series D bonds which was made on October 3, 2012. SMB may (but shall not be obligated to) redeem all (and not a part only) of the outstanding P20,000 Bonds on the day after the 10th P20,000 Bonds Interest Payment Date for the Series E bonds, and the 14th P20,000 Bonds Interest Payment Date for the Series F bonds. Interest on the P15,000 Bonds are paid every April 2 and October 2 of each year (each, a P15,000 Bonds Interest Payment Date). SMB may also (but shall likewise not be obligated to) redeem all (and not a part only) of the outstanding P15,000 Bonds on the 11th P15,000 Bonds Interest Payment Date for the Series G bonds, and on the 14th, 16th or 18th P15,000 Bonds Interest Payment Dates for the Series H bonds.

On December 5 and 16, 2014, the BOD of SMB (through the Executive Committee in the December 16, 2014 meeting) approved the conduct of a solicitation process for the consents of the majority of the holders of record as of December 15, 2014 of SMB's Series C bonds, Series D bonds, Series E bonds and Series F bonds (Series CDEF Bonds Record Bondholders) for the amendment of the negative covenants in the trust agreements covering the Series C bonds, Series D bonds, Series E bonds and Series F bonds to align the same with the negative covenants of the trust agreement covering the Series G bonds and Series H bonds (Series GH Bonds Trust Agreement), and allow SMB to engage, or amend its Articles of Incorporation to engage, in the business of manufacturing, selling, distributing, and/or dealing, in any and all kinds of beverage products (Negative Covenant Amendment). SMB obtained the consents of Series CDEF Record Bondholders representing 90% of the outstanding aggregate principal amount of the Series C bonds and 81.05% of the combined outstanding aggregate principal amount of the Series D bonds, Series E bonds and Series F bonds, for the Negative Covenant Amendment. The supplemental agreements amending the trust agreements covering the Series C bonds, Series D bonds, Series E bonds and Series F bonds to reflect the Negative Covenant Amendment were executed by SMB and the respective trustees of the said bonds on February 2, 2015.

In November 2017, SMC announced its intention to undertake the SMFB Consolidation. The SMFB Consolidation was expected to result in synergies in the food and beverage business units of the San Miguel group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel group through SMFB.

To allow SMB to remain under the effective control of SMC through SMFB in the implementation of the SMFB Consolidation (and thus ensure that the trust agreements covering SMB's outstanding bonds remain consistent with their original intended purpose) as discussed in Note 1, the BOD of SMB, in its meeting on November 3, 2017, approved the conduct of a solicitation process for the consents of the majority of the holders of record as of November 8, 2017 of SMB's Series C bonds, Series E bonds and Series F bonds (Series CEF Bonds Record Bondholders) to align the change in control default provision under the trust agreements covering the Series C bonds, Series E bonds and Series F bonds with the change in control default provision under the Series GH Bonds Trust Agreement (Change in Control Amendment). Under the Series GH Bonds Trust Agreement, a change in control of SMB occurs when SMC ceases to have the ability to consolidate SMB as a subsidiary in its consolidated financial statements in accordance with the accounting principles and standards applicable to SMC then in effect.

SMB obtained the consents of the Series CEF Record Bondholders representing 88.28% of the outstanding aggregate principal amount of the Series C bonds, and 78.1803% of the combined outstanding aggregate principal amount of the Series E bonds and Series F bonds, for the Change in Control Amendment. The supplemental agreements amending the trust agreements covering the Series C bonds, Series E bonds and Series F bonds to reflect the Change in Control Amendment were executed by SMB and the respective trustees of the said bonds on December 19, 2017.

(b) On February 21, 2020, the SEC issued to SMFB the Permit to Sell P15,000 fixed rate bonds, consisting of five-year Series A Bonds due 2025 and seven-year Series B Bonds due on 2027.

The bonds were issued and listed in the PDEx on March 10, 2020.

The proceeds were used to redeem the outstanding FBP2 Shares and payment of transaction-related fees, costs and expenses.

The Series A Bonds and Series B Bonds have fixed interest rate equivalent to 5.050% per annum and 5.250% per annum, respectively and are carried at amortized cost. Unamortized debt issue costs as of December 31, 2021 and 2020 amounted to P70 and P71, and P89 and P82 for Series A and Series B, respectively.

Term Note

(c) On December 19, 2019, SMB entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P10,000 to be used for general corporate requirements. The loan is carried at amortized cost and bears an annual interest rate at Philippine peso fixed-rate of 4.63%. The loan is payable for five years which will mature in December 2024.

On March 30, 2021, SMB entered into unsecured, long-term, interest-bearing loans from several local banks amounting to P12,000 to be used to refinance the maturity of the Series G bonds and/or general corporate purposes. Proceeds of the loan was used to refinance the Series G Bonds which matured on April 2, 2021. The loans are carried at amortized cost and bears annual interest rates at Philippine peso fixed-rate ranging from 3.80% to 4.15%. The loans are payable between one to seven years in accordance with the terms of the Agreement.

As of December 31, 2021 and 2020, the outstanding balance of the term loan amounted to P21,984 and P10,000. As of December 31, 2021 and 2020, the unamortized debt issue costs amounted to P125 and P61, respectively.

(d) The amount represents drawdown by GSMI on December 28, 2020 from its three-year credit facility with a local bank amounting to P500. The loan is carried at amortized cost and payable semi-annually commencing in June 2021. The proceeds were used for general corporate requirements.

Unamortized debt issue costs amounted to P2 and P4 as at December 31, 2021 and 2020, respectively.

(e) On December 3, 2019, SMFI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P18,000 for the purpose of refinancing its existing short-term loan obligations, funding capital expansion projects and for other general corporate requirements. On December 12, 2019, P10,000 was initially drawn down from the credit facility and the remaining balance of P8,000 were availed in various dates during 2020. The loan is payable for ten years, in quarterly installments which will commence in March 2023. The loan is subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to fixed rate within two years.

On December 14, 2020, the SMFI exercised its one-time option to convert to fixed interest rate for its P10,000 loan.

Unamortized debt issue costs amounted to P112 and P124 as at December 31, 2021 and 2020, respectively.

(f) On December 11, 2019, SMMI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P2,000 for the purpose of refinancing its existing short-term loans, fund its capital expenditure requirements for the upgrade of expansion of its production facilities and/or finance other general corporate requirements. On December 19, 2019, the loan was drawn down from the credit facility. The loan is subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to fixed rate within two years. The loan is payable for seven years, in quarterly installments which will commence in March 2023.

On December 19, 2020, the SMMI exercised its one-time option to convert to fixed interest rate for its P2,000 loan.

Unamortized debt issue costs amounted to P11 and P13 as at December 31, 2021 and 2020, respectively.

(g) On September 24, 2021, PHC entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P7,000 for general corporate purposes, including but not limited to, the refinancing of existing indebtedness for borrowed money and/or capital expenditure. The loan shall be for a term of five years from the borrowing date and shall be payable in lump sum on the maturity date. Interest on the unpaid principal of the loan is payable on each interest payment date for the relevant interest period then ending.

Unamortized debt issue costs amount to P50 as of December 31, 2021.

(h) The amount represents drawdown by GSMI on September 24, 2018 from its five-year credit facility with a local bank dated August 13, 2018 amounting to P1. The loan is carried at amortized cost and payable in equal quarterly installments commencing in September 2019. The proceeds were used to refinance existing short-term obligation.

GSMI settled the loan on September 24, 2020.

The Group is in compliance with the covenants of the debt agreements as at December 31, 2021 and 2020.

SMB
SMB is required to comply with two financial covenants: minimum interest coverage ratio of 4.75 for bonds, 2.0 for bank loans and maximum debt to equity ratio of 3.5 for both bonds and bank loans.

GSMI
GSMI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as all obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. GSMI complied with the above requirements in 2021 with a debt-to-equity ratio of 0.029 as at December 31, 2021, and EBITDA to interest coverage ratio of 320.35 as at December 31, 2021.

SMFB
SMFB has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest expense ratio will not fall below 2.0 times. This loan defined total debt as all interest bearing obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. SMFB complied with the above requirements in 2021 and 2020 with a debt-to-equity ratio of 0.57 and 0.63 as at December 31, 2021, and 2020, respectively, and EBITDA to interest expense ratio of 16.73 and 11.87 as at December 31, 2021 and 2020, respectively.

SMFI
SMFI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of SMFI while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. SMFI complied with the above requirements with a debt-to-equity ratio of 0.54 and 0.63 as at December 31, 2021 and 2020, respectively, and EBITDA to interest coverage ratio of 63.26 and 16.76 as at December 31, 2021 and 2020, respectively.

SMMI
SMMI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of the Company while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. SMMI complied with the above requirements with a debt-to-equity ratio of 0.92 and 0.70 as at December 31, 2021 and 2020, respectively, and EBITDA to interest coverage ratio of 14.49 and 15.52 as at December 31, 2021 and 2020, respectively.

PHC
PHC has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of the Company while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. PHC complied with the above requirements with a debt-to-equity ratio of 1.14 as at December 31, 2021 and EBITDA to interest coverage ratio of 21.79 as at December 31, 2021.

Interest expense recognized in the consolidated statements of income follows:

	Note	**2021**	2020	2019
Bonds		**P1,786**	P2,721	P1,536
Term note		**867**	51	82
	27	**P2,653**	P2,772	P1,618

The movements in debt issue costs are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P401**	P229
Additions		**143**	259
Amortization	27	**(93)**	(87)
Balance at end of year		**P451**	P401

Changes in liabilities arising from financing activities are as follows:

	2021	2020
Balance as at January 1	**P67,099**	P44,653
Changes from Financing Activities		
Proceeds from borrowings	**18,858**	23,241
Payments of borrowings	**(12,645)**	(882)
Total Changes from Financing Activities	**6,213**	22,359
Others	**93**	87
Balance as at December 31	**P73,405**	P67,099

Repayment Schedule
The annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2022	P7,187	P7	P7,180
2023	508	122	386
2024	12,880	120	12,760
2025	342	50	292
2026	44,056	133	43,923
2027 and thereafter	8,883	19	8,864
	P73,856	**P451**	**P73,405**

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 33.

21. Equity

Capital Stock

As at December 31, 2021 and 2020, the Parent Company's common stock, at P1.00 par value per common share, consists of the following number of shares:

	2021	2020	2019
Issued shares at beginning of year	**5,951,297,670**	5,951,297,670	5,951,297,670
Treasury shares	**(42,077,580)**	(42,077,580)	(42,077,580)
Issued and outstanding at end of year	**5,909,220,090**	5,909,220,090	5,909,220,090
Authorized shares	**11,600,000,000**	11,600,000,000	11,600,000,000

As at December 31, 2021 and 2020, the Parent Company's preferred stock, at P10.00 par value per preferred share, consists of the following number of shares:

	2021	2020	2019
Issued shares at beginning of year	**30,000,000**	30,000,000	30,000,000
Treasury shares	**(30,000,000)**	(30,000,000)	(15,000,000)
Issued and outstanding at end of year	**-**	-	15,000,000
Authorized shares	**40,000,000**	40,000,000	40,000,000

Common Shares

As of December 31, 2016, prior to business reorganization, the Parent Company has a total of 166,667,096 issued and outstanding common shares held by a total of 132 common stockholders.

On November 3, 2017, the Board of Directors (BOD) of SMC approved the internal restructuring to consolidate its food and beverage businesses under SMFB. The corporate reorganization is expected to result in synergies in the food and beverage business units of the San Miguel Group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel Group through SMFB.

In this connection, the following corporate actions were approved by the BOD of the Parent Company on November 3, 2017: (a) amendments to the Articles of Incorporation to change/expand the primary purpose of SMFB to include the beverage business and accordingly change its corporate name from "San Miguel Pure Foods Company Inc." to "San Miguel Food and Beverage, Inc.", reduce the par value of SMFB's common shares from P10.00 per share to P1.00 per share, and deny pre-emptive rights for issuances or dispositions of all common shares (collectively, the "First Amendments"); (b) upon approval by the SEC of the First Amendments, the increase in SMFB's authorized capital stock by P9,540 divided into 9,540,000,000 common shares with a par value of P1.00 per share, and the amendment to the Articles of Incorporation to reflect such increase (the "Increase"); (c) the acquisition of all of SMC's common shares in San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI) (collectively, the "Exchange Shares") and issuance by SMFB of 4,242,549,130 new common shares (the "New Shares") to SMC from the Increase, as consideration for the Exchange Shares; (d) the tender offer for SMB and GSMI shares held by minority shareholders, if required; and (e) the listing on the PSE of the additional shares resulting from the reduction of par value of common shares and the New Shares to be issued to SMC.

On January 18, 2018, the stockholders of SMFB, in its special stockholders' meeting, approved the foregoing corporate actions.

On March 14, 2018, the following amendments to the By-laws of SMFB were approved by the BOD of the Parent Company: (i) the change in corporate name to "San Miguel Food and Beverage, Inc." in the Title of the By-laws; (ii) the change in Official Seal of SMFB to reflect the said new corporate name in Article XI of the By-laws; and (iii) the disqualification for director in SMFB to the effect that persons engaged in any business that competes with or is antagonistic to that of SMFB are disqualified from sitting in the Board of Directors of SMFB, in Article II, Section 1 of the By-laws (collectively, the "Corporate Name Related Amendments").

On March 23, 2018, the SEC approved the First Amendments to the Articles of Incorporation of SMFB.

On April 5, 2018, SMC and SMFB signed the Deed of Exchange of Shares pursuant to which SMC will transfer to SMFB the Exchange Shares at the total transfer value of P336,349. As consideration for its acquisition of the Exchange Shares, SMFB shall issue unto SMC the New Shares which will be taken out of the Increase. As such, the issuance of the New Shares to SMC and the transfer of the Exchange Shares to SMFB were conditioned upon the approval by the SEC of the Increase.

On May 11, 2018, the stockholders of SMFB, in its regular stockholders' meeting, approved the: (i) amendments to the By-laws of SMFB to reflect the Corporate Name Related Amendments, and (ii) delegation to management of the authority previously approved by the BOD on March 14, 2018, to sign, execute and deliver all documents on behalf of SMFB, as well as to take all other actions in order for SMFB to comply with the minimum public ownership requirement of the SEC and PSE for publicly listed companies, including the offer and issuance of new common shares to the public.

On June 18, 2018, the SEC approved the Corporate Name Related Amendments to the By-laws of SMFB.

On June 29, 2018, the SEC approved the Increase by virtue of the issuance to SMFB of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation. As a result of the approval of the Increase, which involved the issuance by SMFB of the New Shares to SMC in consideration for the Exchange Shares, the consolidation of the food and beverage businesses of SMC under SMFB was completed.

With the approval of the Increase, the SEC consequently accepted and approved the transfer value of the Exchange Shares amounting to P336,349, the investment value of SMFB in SMB and GSMI.

As the issuance of the New Shares resulted in SMFB's public ownership level falling below the minimum ten percent (10%) requirement under the PSE's Amended Rule on Minimum Public Ownership ("MPO Rule"), the PSE suspended the trading of SMFB's common and preferred shares (collectively, the "FB Shares") commencing July 6, 2018 and until SMFB is able to secure a favorable ruling/opinion from the Bureau of Internal Revenue (BIR) on the appropriate taxes to be imposed on the trades of FB Shares through the PSE during the period not exceeding six months (the "MPO Exemption Period").

On July 20, 2018, SMFB received BIR Ruling No. 1092-2018 which confirmed that the share swap and the follow-on offer of common shares and all trades of FB Shares through the PSE during the MPO Exemption Period are not subject to capital gains tax of 15% under of Revenue Regulations (RR) No.16-2012 as amended by RR No. 11-2018 (TRAIN Law), and that the stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) shall be imposed on all trades through the PSE of FB Shares during the same period. The temporary exemption is effective until December 31, 2018. On July 23, 2018, the PSE lifted the trading suspension of FB Shares.

On September 19, 2018, SMFB filed with the PSE an Application for Listing of Stocks, for the listing of the New Shares issued by SMFB to SMC. The PSE issued a Notice of Approval for the listing of the New Shares on November 5, 2018 and such shares were listed with the PSE effective November 9, 2018.

On October 12, 2018, the BIR issued BIR Certification No. 010-2018, which confirmed the tax-free transfer by SMC of the Exchange Shares, in consideration for the New Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) covering this transaction. The Exchange Shares were issued and registered in the name of SMFB in the stock and transfer books of SMB and GSMI, as the case may be, on November 5, 2018.

On October 26, 2018, the SEC issued the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale relating to the offer of up to 1,020,050,000 common shares in SMFB owned by SMC in a secondary sale transaction to institutional investors inclusive of the PSE Trading Participants' share allocation at an offer price of P85.00 per share.

On November 12, 2018, the secondary offering was completed. A total of 400,940,590 SMFB common shares plus the over-allotment option of 60,141,090 SMFB common shares owned by SMC have been sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation, for a total amount of P39,192 million. With the completion of the offering, SMFB is compliant with the MPO Rule.

On July 20, 2018, SMFB received BIR Ruling No. 1092-2018 which confirmed that the share swap and the follow-on offer of common shares and all trades of FB Shares through the PSE during the MPO Exemption Period are not subject to capital gains tax of 15% under of Revenue Regulations (RR) No.16-2012 as amended by RR No. 11-2018 (TRAIN Law), and that the stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) shall be imposed on all trades through the PSE of FB Shares during the same period. The temporary exemption is effective until December 31, 2018. On July 23, 2018, the PSE lifted the trading suspension of FB Shares.

On September 19, 2018, SMFB filed with the PSE an Application for Listing of Stocks, for the listing of the New Shares issued by SMFB to SMC. The PSE issued a Notice of Approval for the listing of the New Shares on November 5, 2018 and such shares were listed with the PSE effective November 9, 2018.

On October 12, 2018, the BIR issued BIR Certification No. 010-2018, which confirmed the tax-free transfer by SMC of the Exchange Shares, in consideration for the New Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) covering this transaction. The Exchange Shares were issued and registered in the name of SMFB in the stock and transfer books of SMB and GSMI, as the case may be, on November 5, 2018.

On October 26, 2018, the SEC issued the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale relating to the offer of up to 1,020,050,000 common shares in SMFB owned by SMC in a secondary sale transaction to institutional investors inclusive of the PSE Trading Participants' share allocation at an offer price of P85.00 per share.

On November 12, 2018, the secondary offering was completed. A total of 400,940,590 SMFB common shares plus the over-allotment option of 60,141,090 SMFB common shares owned by SMC have been sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation, for a total amount of P39,192 million. With the completion of the offering, SMFB is compliant with the MPO Rule.

As at December 31, 2021 and 2020, the Parent Company has a total of 181 and 173 common stockholders, respectively.

Preferred Shares issued and listed with the PSE on March 3, 2011
A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered 15,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares at an offer price of P1,000.00 per share during the period February 14 to 25, 2011. The dividend rate was set at 8% per annum with dividend payment dates on March 3, June 3, September 3 and December 3 of each year calculated on a 30/360-day basis, as and if declared by the BOD. The preferred shares are redeemable in whole or in part, in cash, at the sole option of the Parent Company, at the end of the 5th year from issuance date or on any dividend payment date thereafter, at the price equal to the issue price plus any accumulated and unpaid cash dividends. Optional redemption of the preferred shares prior to 5th year from issuance date was provided under certain conditions (i.e., accounting, tax or change of control events), as well as on the 3rd anniversary from issuance date or on any dividend payment date thereafter, as and if declared by the BOD. Unless the preferred shares are redeemed by the Parent Company on its 5th year anniversary, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 8% or the ten-year PDST-F rate prevailing on the optional redemption date plus 3.33% per annum.

On February 3, 2015, the Parent Company's BOD approved the redemption on March 3, 2015 of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of the Parent Company's treasury shares.

Perpetual Series "2" Preferred Shares Issued and Listed with the PSE on March 12, 2015
On January 20, 2015, the BOD of the PSE approved, subject to SEC approval and certain conditions, the application of the Parent Company to list up to 15,000,000 perpetual series "2" preferred shares (FBP2 Shares) with a par value of P10.00 per share to cover the Parent Company's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered the Parent Company's Registration Statement covering the registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share (the "FBP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on the Parent Company's application to list up to 15,000,000 FBP2 Shares with a par value of P10.00 per share to cover the FBP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by the Parent Company's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the FBP2 Shares Offering, management determined the terms of the FBP2 Shares (Terms of the Offer), including the initial dividend rate for the FBP2 Shares at 5.6569% per annum.

A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of P1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the Parent Company, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 FBP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

The proceeds from the issuance of FBP2 Shares, net of transaction costs, amounted to P14,885.

On February 3, 2020, the Parent Company's BOD approved the redemption on March 12, 2020 of the 15,000,000 outstanding FBP2 shares issued on March 12, 2015 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends shall be paid on March 12, 2020 to relevant stockholders of record as at February 17, 2020.

Treasury Shares
Treasury shares, totaling 42,077,580 common shares as at December 31, 2021 and 2020, and 30,000,000 preferred shares as at December 31, 2021 and 2020, respectively, are carried at cost.

Retained Earnings
Unappropriation
The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.

The Parent Company's retained earnings as at December 31, 2021 and 2020 is restricted in the amount of P182 representing the cost of common shares held in treasury.

Appropriation
On December 3, 2021, the BOD of SMB approved additional P16,211 of its retained earnings for the repayment of the SMB's term loans with various banks entered in 2021 and construction of malt terminal.

On December 4, 2021, the BOD of SMB approved additional appropriations amounting to P17,000 of its retained earnings for the repayment of the term loan entered in 2019 and redemption of the Series F bonds in April 2022.

On December 4, 2019, the BOD of SMB approved additional appropriations amounting to P19,962 of its retained earnings for the redemption of the Series G bonds in April 2021 and capacity expansion of SMB's brewery to support volume growth. P3,720 and P1,280 were disbursed for the foregoing projects in 2021 and 2020, respectively and were accordingly reversed. The P12,462 appropriation for the redemption of the SMB's Series G bonds was reversed upon the redemption of the Series G bonds in April 2021. The remaining P2,500 appropriation will be used for the capacity expansion of Bacolod Brewery.

Of the P11,600 SMB's appropriations in 2018 for the construction of its new brewery, brewhouse and cellars, P688, P4,502 and P5,810 were disbursed for the foregoing projects in 2021, 2020 and 2019, respectively and were accordingly reversed. The remaining P600 appropriation will be used to settle the outstanding payables related to the aforementioned construction projects.

On November 10, 2021, the BOD of GSMI approved the appropriation of P3,512 retained earnings, of the said amount, P3,000 will be used for expansion of capacity to support increase in demand and P512 will be used for rehabilitation of the its existing facilities.

As at December 31, 2020, the BOD of GSMI approved the appropriation of retained earnings amounting to P2,500 for the purpose of capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements until 2021. Such appropriation was reversed in 2021.

Dividend Declaration
The BOD of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders:

2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 3, 2021	February 18, 2021	March 3, 2021	**P0.40**
	May 5, 2021	May 20, 2021	June 4, 2021	**P0.40**
	August 4, 2021	August 19, 2021	September 3, 2021	**P0.40**
	November 10, 2021	November 24, 2021	December 10, 2021	**P0.50**

2020

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 3, 2020	February 17, 2020	March 2, 2020	P0.40
	May 27, 2020	June 11, 2020	June 26, 2020	0.40
	August 5, 2020	August 20, 2020	September 4, 2020	0.40
	November 4, 2020	November 18, 2020	December 4, 2020	0.40
Preferred FBP2	February 3, 2020	February 17, 2020	March 12, 2020	14.14225

Equity Adjustments from Common Control Transactions

The "Equity adjustments from common control transactions" account relate to the acquisition of SMB and GSMI by SMFB through a share swap transaction with SMC in 2018, arising from the difference between the consideration transferred and the net assets acquired. The acquisition is considered to be a business combination of entities under common control as the combining entities are all under the common control of SMC before and after the acquisition. The Group recognized the assets acquired and liabilities assumed at their carrying amounts in the consolidated financial statements of SMC. The carrying amounts in the consolidated financial statements of SMC are based on the fair values of assets and liabilities as of the date SMB and GSMI became subsidiaries of SMC and adjusted for subsequent transactions. Any goodwill relating to SMB and GSMI recognized in the consolidated financial statements of SMC is also recognized.

22. Revenues

This account consists of:

	Note	**2021**	2020	2019
Sale of goods		**P309,730**	P279,189	P310,687
Service revenues and others		**22**	31	72
Fair valuation adjustments on agricultural produce - net	*9*	**26**	70	26
		P309,778	P279,290	P310,785

23. Cost of Sales

This account consists of:

	Note	**2021**	2020	2019
Inventories	*9*	**P124,729**	P115,597	P123,047
Taxes and licenses		**71,964**	63,378	66,760
Depreciation and amortization	*25*	**7,138**	7,063	6,112
Communications, light, fuel and water		**6,010**	5,101	6,050
Personnel	*26*	**3,894**	3,625	3,991
Freight, trucking and handling		**3,523**	3,377	3,519
Repairs and maintenance		**1,262**	1,266	1,542
Rent	*4, 32*	**240**	239	234
Write-down of inventories to net realizable value	*9*	**45**	61	41
Others		**501**	532	734
		P219,306	P200,239	P212,030

24. Selling and Administrative Expenses

This account consists of:

	2021	2020	2019
Selling	**P25,675**	P25,252	P30,541
Administrative	**21,102**	20,387	20,433
	P46,777	P45,639	P50,974

Selling expenses of:

	Note	**2021**	2020	2019
Freight, trucking and handling		**P8,110**	P8,125	P10,194
Advertising and promotions		**5,619**	5,159	8,526
Contracted services		**4,176**	3,885	3,666
Personnel	*26*	**3,323**	3,215	3,467
Rent	*4, 32*	**1,493**	2,057	1,997
Depreciation and amortization	*25*	**735**	880	778
Taxes and licenses		**455**	555	548
Write-down of inventories to net realizable value	*9*	**134**	165	56
Others		**1,630**	1,211	1,309
		P25,675	P25,252	P30,541

Administrative expenses consist of:

	Note	**2021**	2020	2019
Personnel	*26*	**P7,665**	P6,202	P6,926
Depreciation and amortization	*25*	**4,221**	3,974	3,938
Contracted services		**2,401**	2,509	2,279
Management fees	*30*	**1,340**	1,158	1,311
Corporate special program		**612**	1,103	709
Rent	*4, 32*	**947**	886	887
Taxes and licenses		**674**	771	721
Write-down of inventories to net realizable value	*9*	**787**	692	630
Repairs and maintenance		**580**	503	667
Professional fees		**409**	452	573
Insurance		**456**	431	448
Communications, light, fuel and water		**565**	420	506
Supplies		**284**	346	296
Travel and transportation		**101**	113	269
Others		**60**	827	273
		P21,102	P20,387	P20,433

"Selling and Administrative Expenses" included COVID-19 related expenses comprised mainly of employee related costs such as special allowances, temporary accommodation, transportation, swab tests and personal protective kits, all to sustain operations despite the risks.

25. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	**2021**	2020	2019
Cost of sales:				
Biological assets	*10*	**P2,896**	P3,565	P3,152
Property, plant and equipment	*13*	**4,011**	3,280	2,775
Right-of-use assets	*14*	**127**	109	97
Deferred containers and others	*15, 16, 17*	**104**	109	88
	23	**7,138**	7,063	6,112
Selling and administrative expenses:				
Property, plant and equipment	*13*	**1,050**	1,075	807
Right-of-use assets	*14*	**556**	709	685
Deferred containers and others	*15, 16, 17*	**3,350**	3,070	3,224
	24	**4,956**	4,854	4,716
		P12,094	P11,917	P10,828

"Others" include depreciation of investment property and amortization of land use rights, computer software and licenses and pallets, kegs and CO2 cylinders.

26. Personnel Expenses

This account consists of:

	Note	**2021**	2020	2019
Salaries and allowances		**P8,191**	P8,196	P8,666
Retirement costs	*29*	**2,576**	902	827
Other employee benefits		**4,115**	3,944	4,891
		P14,882	P13,042	P14,384

Personnel expenses are distributed as follows:

	Note	**2021**	2020	2019
Cost of sales	*23*	**P3,894**	P3,625	P3,991
Selling expenses	*24*	**3,323**	3,215	3,467
Administrative expenses	*24*	**7,665**	6,202	6,926
		P14,882	P13,042	P14,384

27. Other Income and Charges

These accounts consist of:

(a) Interest Expense and Other Financing Charges

	2021	2020	2019
Interest expense	**P3,112**	P3,484	P2,799
Other financing charges	**248**	457	321
	P3,360	P3,941	P3,120

Amortization of debt issue costs included as part of "Other financing charges" amounted to P93, P87 and P38 in 2021, 2020 and 2019, respectively (Note 20).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

	Note	**2021**	2020	2019
Loans payable	*18*	**P105**	P345	P849
Long-term debt	*20*	**2,653**	2,772	1,618
Lease liabilities	*32*	**354**	367	332
		P3,112	P3,484	P2,799

(b) Interest Income

	Note	**2021**	2020	2019
Interest from short-term investments, cash in banks and others	*7*	**P465**	P723	P1,113
Interest on amounts owed by related parties	*30*	**3**	11	20
		P468	P734	P1,133

(c) Other Income (Charges)

	Note	**2021**	2020	2019
Gain (loss) on derivatives - net	*34*	**(P509)**	P442	P282
Rent income	*32*	**181**	180	173
Gain on sale of scrap materials		**43**	43	-
Gain (loss) on foreign exchange - net	*33*	**23**	31	(5)
Provision on impairment (a)	*13*	**(455)**	-	(1,015)
Miscellaneous gain (c)	*36*	**170**	1,490	1,430
Others - net (b)		**350**	(567)	(311)
		(P197)	P1,619	P554

a) SMB - North China Operations

In 2019, SMB incurred losses in its North China operations due to fierce market competitions resulting in the decline in product demand compared to forecasted sales. These factors, among others, are indications that noncurrent assets of the SMB's North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other intangible assets, may be impaired.

In March 2020, SMBIL and SMCIC, shareholders of SMBB passed a resolution approving the dissolution of SMBB. SMBB stopped operations and production activities from the date of the resolution and started liquidation.

As SMBB's assets have been reduced to their recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amounts would result in further impairment losses.

SMB - Hong Kong Operations
In 2019, SMB reassessed the recoverable amount of SMBHK's production plant and concluded that no further impairment losses or reversals of previously recognized impairment losses are required in 2019.

As SMBHK's assets have been reduced to their recoverable amount, any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment losses.

Management determined the growth rate and gross contribution rate based on past experiences and future plans and expected market trends.

On November 29, 2020, the business term of GSMB had expired, in accordance with its Articles of Association and the joint venture contract between SMGL and Guangzhou Brewery, and the shareholders have agreed not to renew the same. Because of the expiry of its business term, all GSMB employees had been terminated effective November 29, 2020 and GSMB had ceased operations and business activities on November 30, 2020 and started liquidation on the said date.

San Miguel (Guangdong) Brewery Co. Ltd. ("SMGB"), another SMBHK subsidiary in PRC that is currently a major production source for the San Miguel brands sold by GSMB, had undertaken the selling and marketing of these San Miguel brands in the South China Market which commenced on November 30, 2020.

Magnolia - La Pacita Operations
As discussed in Note 5, Magnolia ceased the operation of La Pacita biscuit and assessed the recoverable value of the trademarks, formulations, recipes and other intangible properties. It was determined that the carrying amount of the asset was higher than the recoverable amount. Impairment loss was recognized amounting to P386 to reduce the carrying amount of trademark to recoverable amount.

b) "Others - net" include casualty loss, expenses of closed facilities, gain on insurance proceeds and dividend income on investments.

The effects of African Swine Fever (ASF), which started in the third quarter of 2019, continued to unfavorably affect the business in 2020 which resulted in casualty losses from ASF mortalities, retirement of breeding stocks and closure of related hog facilities. But these casualty losses has significantly declined in 2021.

c) Miscellaneous gain represents the amount of tax credit certificates issued by the BIR to SMB for the tax refund cases of San Mig Light for the year 2019 in 2021, tax refund cases for the years 2007, 2008 and 2011 in 2020 and tax refund cases for the years 2009 and 2010 in 2019 (Note 36).

28. Income Taxes

(a) The components of income tax expense are shown below:

	2021	2020	2019
Current	**P9,156**	P9,815	P13,681
Deferred	**229**	(428)	147
	P9,385	P9,387	P13,828

(b) Deferred tax asset and liabilities as at December 31 arise from the following:

	2021	2020
Net defined benefit retirement obligation and equity reserve for retirement plan	**P445**	P860
Allowance for impairment losses on receivables and write-down of inventories	**627**	737
NOLCO	**15**	507
MCIT	**12**	232
Unrealized gain on derivatives - net	**90**	(5)
Others	**922**	500
	P2,111	P2,831

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	**2021**	2020
Deferred tax assets	*4*	**P2,137**	P2,857
Deferred tax liabilities		**(26)**	(26)
		P2,111	P2,831

The movements of deferred tax assets and liabilities are accounted for as follows:

					December 31, 2021		
	Balance at Beginning of Year	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**Balance at End of Year**	**Deferred Tax Asset**	**Deferred Tax Liability**
Net defined benefit retirement obligation and equity reserve for retirement plan	**P860**	**P87**	**(P499)**	**(P3)**	**P445**	**P445**	**P -**
Allowance for impairment losses on receivables and write-down of inventories	**737**	**(111)**	**-**	**1**	**627**	**627**	**-**
NOLCO	**507**	**(492)**	**-**	**-**	**15**	**15**	**-**
MCIT	**232**	**(220)**	**-**	**-**	**12**	**12**	**-**
Unrealized loss on derivatives - net	**(5)**	**94**	**-**	**1**	**90**	**90**	**-**
Others	**500**	**413**	**-**	**9**	**922**	**948**	**(26)**
	P2,831	**(P229)**	**(P499)**	**P8**	**P2,111**	**P2,137**	**(P26)**

					December 31, 2020		
	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at End of Year	Deferred Tax Asset	Deferred Tax Liability
Net defined benefit retirement obligation and equity reserve for retirement plan	P1,051	(P95)	(P87)	(P9)	P860	P863	(P3)
Allowance for impairment losses on receivables and write-down of inventories	682	58	-	(3)	737	737	-
NOLCO	206	301	-	-	507	507	-
MCIT	133	99	-	-	232	232	-
Unrealized loss on derivatives - net	(3)	(2)	-	-	(5)	(5)	-
Others	431	67	-	2	500	523	(23)
	P2,500	P428	(P87)	(P10)	P2,831	P2,857	(P26)

As at December 31, 2021, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up to	NOLCO	MCIT
2019	December 31, 2022	88	4
2020	December 31, 2025	18	5
2021	December 31, 2024	-	3
2021	December 31, 2026	1	-
		P107	**P12**

Temporary differences on the combined carryforward benefits of MCIT and NOLCO amounting to P756, P259 and P196 as at December 31, 2021, 2020 and 2019, respectively, were not recognized. Management believes that it may not be probable that sufficient future taxable profits will be available against which the combined carryforward benefits of MCIT and NOLCO can be utilized.

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of RA No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five (5) consecutive taxable years following the year such loss was incurred.

(c) The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2021	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to final tax	**(0.21%)**	(0.60%)	(0.71%)
Others - net	**(1.79%)**	0.13%	0.70%
Effective income tax rates	**23.00%**	29.53%	29.99%

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of Minimum Corporate Income Tax (MCIT) rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021 (i.e., 25% RCIT, 1% MCIT) for financial reporting purposes.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE law are as follows:

ASSETS	
Prepaid expenses and other current assets	**P133**
Deferred tax assets	**(235)**
	(P102)

Forward

LIABILITIES AND EQUITY	
Income and other taxes payable	**P680**
Equity reserves	**44**
Retained earnings	**(302)**
Non-controlling Interests	**(320)**
	P102
Provision for income tax:	
Current	**(P813)**
Deferred	**189**
	(P624)

29. Retirement Plan

SMFB, SMB and GSMI, including majority of their subsidiaries, have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering certain number of their permanent employees. The Retirement Plans pay out benefits based on final pay. In 2021, the GSMI, SMFI, PHC and Magnolia made amendments to its Retirement Plan in terms of the percentage of final pay based on the adjusted credited years of service. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2021. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the Bureau of Internal Revenue as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Majority of the Board of Trustees of the Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of SMFB, SMB, GSMI and their subsidiaries. The Retirement Plans' accounting and administrative functions are undertaken by Retirement Funds Office of SMC.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Balance at beginning of year	**P17,130**	P18,049	**(P18,135)**	(P19,341)	**(P5)**	P -	**(P1,010)**	(P1,292)
Recognized in Profit or Loss								
Past service costs	**-**	-	**(1,710)**	(4)	**-**	-	**(1,710)**	(4)
Current service costs			**(866)**	(898)			**(866)**	(898)
Interest expense	**-**	-	**(699)**	(969)	**-**	-	**(699)**	(969)
Interest income	**637**	886	**-**	-	**-**	-	**637**	886
	637	886	**(3,275)**	(1,871)	**-**	-	**(2,638)**	(985)
Recognized in Other Comprehensive Income								
Remeasurements:								
Actuarial gains (losses) arising from:								
Experience adjustments	**-**	-	**707**	1,997	**-**	-	**707**	1,997
Changes in financial assumptions	**-**	-	**1,311**	(383)	**-**	-	**1,311**	(383)
Changes in demographics assumptions	**-**	-	**(159)**	(64)	**-**	-	**(159)**	(64)
Return on plan assets excluding interest income	**(489)**	(1,238)	**-**	-	**-**	-	**(489)**	(1,238)
Changes in the effect of asset ceiling	**-**	-	**-**	-	**(58)**	(5)	**(58)**	(5)
Translation adjustments	**-**	-	**-**	14	**-**	-	**-**	14
	(489)	(1,238)	**1,859**	1,564	**(58)**	(5)	**1,312**	321
Others								
Contributions	**894**	941	**-**	-	**-**	-	**894**	941
Benefits paid	**(1,311)**	(1,471)	**1,324**	1,483	**-**	-	**13**	12
Other adjustments	**138**	(37)	**(79)**	30	**-**	-	**59**	(7)
	(279)	(567)	**1,245**	1,513	**-**	-	**966**	946
Balance at end of year	**P16,999**	P17,130	**(P18,306)**	(P18,135)	**(P63)**	(P5)	**(P1,370)**	(P1,010)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income amounted to P2,576, P902 and P827 in 2021, 2020 and 2019, respectively (Note 26).

The above net defined benefit retirement liability was included in the consolidated statements of financial position as part of:

	Note	**2021**	2020
Other noncurrent assets	*17*	**P809**	P157
Other noncurrent liabilities		**(2,179)**	(1,167)
		(P1,370)	(P1,010)

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2020 and 2019.

The Group's plan assets consist of the following:

	In Percentages	
	2021	2020
Investments in marketable securities and shares of stock	**66.18**	66.0
Investments in pooled funds:		
Stock trading portfolio	**2.97**	2.8
Fixed income portfolio	**10.79**	12.1
Investments in real estate	**0.72**	0.7
Others	**19.33**	18.4

Investments in Marketable and Debt Securities
As of December 31, 2021, the plan assets include:

- 27,914,010 common shares, 8,028,970 Subseries "2-F", 215,440 Subseries "2-H", 8,369,770 Subseries "2-I", 3,083,800 Subseries "2-J", and 2,498,200 Subseries "2-K" preferred shares of SMC with fair market value per share of P114.90, P79.25, P75.95, P79.65, P76.50, and P75.85, respectively;
- Investment in SMC bonds amounting to P1,256;
- 10,921,900 common shares and 364,160 preferred shares of Petron with fair market value per share of P3.17 and P1,119.00, respectively;
- Investment in Petron bonds amounting to P342;
- 28,549,900 common shares of SMB with fair market value per share of P20.00;
- Investment in SMB bonds amounting to P102;
- 5,063,324 common shares of GSMI with fair market value per share of P113.80;
- 4,253,660 common shares of SMFB with fair market value per share of P71.40;
- Investment in SMFB bonds amounting to P189;
- 3,152,443 common shares of Top Frontier with fair market value per share of P127.70;
- Investment in South Luzon Tollway Corporation (SLTC) bonds amounting to P103; and
- Investment in SMC Global Power Holdings Corp. (SMC Global) bonds amounting to P479.

As of December 31, 2020, the plan assets include:

- 28,633,200 common shares, 2,869,750 Subseries "2-E", 8,028,970 Subseries "2-F", 92,230 Subseries "2-G", 215,440 Subseries "2-H", 8,396,770 Subseries "2-I", 2,977,100 Subseries "2-J", and 2,498,200 Subseries "2-K" preferred shares of SMC with fair market value per share of P128.10, P75.40, P77.30, P75.80, P78.00, P76.80, 75.50 and P75.50, respectively;
- Investment in SMC bonds amounting to P984;
- 6,849,900 common shares and 350,000 preferred shares of Petron with fair market value per share of P3.99 and P1,114.00, respectively;
- Investment in Petron bonds amounting to P49;
- 28,549,900 common shares of SMB with fair market value per share of P20.00;
- Investment in SMB bonds amounting to P307;
- 6,499,864 common shares of GSMI with fair market value per share of P49.40;
- 3,303,590 common shares of SMFB with fair market value per share of P67.00;
- Investment in SMFB bonds amounting to P180;
- 3,152,443 common shares of Top Frontier with fair market value per share of P140.00;
- Investment in South Luzon Tollway Corporation (SLTC) bonds amounting to P102; and
- Investment in SMC Global Power Holdings Corp. (SMC Global) bonds amounting to P584.

The fair market value per share of the above shares of stock is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Group's Retirement Plans recognized gains (losses) on the investment in marketable securities of SMC and its subsidiaries amounting to P74 and P1,072 in 2021 and 2020, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P232 and P214 in 2021 and 2020, respectively.

Investments in Shares of Stock
The Group's plan assets also include SMB Retirement Plan's investment in 8,608,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under the cost method, amounting to P859 as at December 31, 2021 and 2020 (Note 30).

Investments in Pooled Funds
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of SMC and its domestic subsidiaries to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees of the Group's Retirement Plans approved the percentage of assets to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plans based on their pro-rata share in net assets of pooled funds. The Retirement Plans' interests in the net assets of the pooled funds were 64.4% and 63.9% of fixed income portfolio as of December 31, 2021 and 2020, respectively. The Retirement Plans' interests in net assets of the pooled funds were 80.9% and 56.5% of stock trading portfolio as of December 31, 2021 and 2020, respectively.

Approximately 52.7% and 42.4% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2021 and 2020, respectively.

Approximately 43.3% and 42.3% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2021 and 2020, respectively.

Investments in Real Estate
The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P118 as at December 31, 2021 and 2020.

Others
Others include the Retirement Plan's investments in government securities, cash and cash equivalents, receivables and deposits which earn interest.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute the amount of P606 to the Retirement Plans in 2022.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2021	2020
Discount rate	**3.82% - 7.00%**	0.40% - 7.00%
Salary increase rate	**4.00% - 8.00%**	2.00% - 8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 6.0 to 14.53 years and 5.0 to 14.53 years as at December 31, 2021 and 2020 respectively.

As at December 31, 2021 and 2020, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	2021		2020	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,127)**	**P1,324**	(P1,173)	P1,366
Salary increase rate	**1,333**	**(1,162)**	1,358	(1,194)

Transactions with the Retirement Plans are made at normal market prices.

30. Related Party Disclosures

The Parent Company and certain subsidiaries and their shareholders purchase products and services from one another in the normal course of business. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at December 31:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	**2021**	**P223**	**P1,696**	**P261**	**P806**	On demand; non-interest bearing	Unsecured; no impairment
	2020	134	2,396	148	579		
Entities under Common Control of the Intermediate Parent Company	**2021**	**846**	**35,303**	**770**	**14,707**	On demand; non- interest bearing	Unsecured; no impairment
	2020	890	26,286	658	11,486		
Joint Venture	**2021**	**1**	**335**	**627**	**4**	On demand or less than 2 to 5 years; interest bearing	Unsecured; with impairment
	2020	1	497	628	4		
Associate of Intermediate Parent Company	**2021**	**1**	**-**	**-**	**-**	Less than 3 months; interest bearing	Unsecured; no impairment
	2020	1	-	1	-		
Shareholders in Subsidiaries and its Affiliates	**2021**	**56**	**4,315**	**131**	**52**	On demand; non-interest bearing	Unsecured; no impairment
	2020	15	3,016	129	-		
Total	**2021**	**P1,127**	**P41,649**	**P1,789**	**P15,569**		
Total	2020	P1,041	P32,195	P1,564	P12,141		

a. Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses (Notes 8, 11 and 17).

b. Amounts owed to related parties consist of trade and non-trade payables (Note 19). Amounts owed to related parties included under "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to P33 and P62 as at December 31, 2021 and 2020, respectively.

c. Amounts owed to associate of the Intermediate Parent Company represent interest bearing loans payable to Bank of Commerce presented as part of "Loans payable" account in the consolidated statements of financial position (Note 18).

d. The Group has entered into various lease agreements with related parties as a lessor and lessee (Note 32).

e. TSML executed various promissory notes in favor of GSMI.

- Principal sum of THB250 together with interest of 5.5% per annum, which interest shall accrue on March 13, 2014.

- Principal sum of THB50 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.
- Principal sum of THB25 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.
- Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.
- Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.

The principal sum is due and payable in full on demand of GSMI and the stipulated interest shall be payable every three months.

The receivables from TSML amounting to P540 as at December 31, 2020, respectively, are included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Note 8).

f. The compensation of the key management personnel of the Group, by benefit type, follows:

	Note	**2021**	2020	2019
Short-term employee benefits		**P135**	P150	P229
Retirement costs (benefits)	*29*	**27**	6	2
		P162	P156	P231

31. Basic Earnings Per Common Share

Basic EPS is computed as follows:

	Note	**2021**	2020	2019
Net income attributable to equity holders of the Parent Company		**P19,789**	P12,476	P18,278
Dividends on preferred shares	*21*	**-**	212	849
Net income attributable to equity holders of the Parent Company (a)		**P19,789**	P12,264	P17,429
Common shares issued and outstanding (in millions)		**5,909**	5,909	5,909
Weighted average number of common shares (in millions) (b)		**5,909**	5,909	5,909
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)		**P3.35**	P2.08	P2.95

As at December 31, 2021, 2020 and 2019, the Group has no dilutive equity instruments.

32. Lease Commitments

Operating Leases

Group as Lessor
The Group has entered into lease agreements on its investment property, offices and machinery and equipment. The non-cancellable leases have lease term of one to five years. Some lease agreements include a clause to enable upward revision of the rental change on an accrual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

Operating Leases under PFRS 16	**2021**	2020
Within one year	**P146**	P148
After one but not more than five years	**67**	136
After five years	**3**	3
	P216	P287

Rent income recognized in the consolidated statements of income amounted to P181, P180 and P173 in 2021, 2020 and 2019, respectively (Notes 4 and 27).

Group as Lessee
The Group leases a number of equipment, offices, warehouses, factory facilities and parcels of land under operating lease. The leases will expire in various terms. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

As at January 1, 2019, the Group recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets (Notes 3 and 14).

The Group recognized interest expense related to these leases amounting to P354 and P367 in 2021 and 2020, respectively (Note 27).

Changes in liabilities arising from financing activities are as follows:

	2021	2020
Balance as at January 1	**P4,782**	P4,531
Changes from Financing Activities		
Payments of lease liabilities	**(596)**	(750)
Total Changes from Financing Activities	**(596)**	(750)
Other Changes		
Additions during the year	**648**	1,001
Balance as at December 31	**P4,834**	P4,782

Rent expense recognized in the consolidated statements of income amounted to P2,680, P3,182 and P3,118 in 2021, 2020 and 2019, respectively (Notes 4, 23, 24 and 30).

33. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI, investments in equity instruments, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, trade payables and other current liabilities, excluding dividends payable and statutory liabilities, and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as commodity and currency options and forwards are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price and foreign currency risks arising from the operating activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD.

The Audit Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the SEC and/or the PSE.

The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The BOD also constituted the Board Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's enterprise risk management (ERM) system to ensure its functionality and effectiveness. The Board Risk Oversight Committee is tasked to develop and oversee the implementation of a formal ERM plan and annually review and advise the BOD of the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework and external economic environment. It shall also assess the probability of each identified risk becoming a reality and estimate its possible financial impact and likelihood of occurrence, and oversee management's activities in identifying, monitoring, assessing and managing credit, market, liquidity, operational, legal and other risk exposures of the Group.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The terms and maturity profile of the interest-bearing long-term borrowings, together with its gross amounts, are shown in the following tables:

December 31, 2021	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	**P7,188**	**P13,151**	**P27,232**	**P18,284**	**P65,855**
Interest rate	**3.875%-6.60%**	**3.284%-6.00%**	**3.2840%-5.050%**	**3.5830%-5.25%**	
Floating Rate					
Philippine peso-denominated		**238**	**238**	**7,524**	**8,000**
Interest rate		**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	
	P7,188	**P13,389**	**P27,470**	**P25,808**	**P73,855**

December 31, 2020	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated	P12,629	P7,536	P20,943	P18,392	P59,500
Interest rate	4.2105% - 8.3480%	3.2837% - 8.3480%	3.2837% - 6.00%	3.2837% - 5.25%	
Floating Rate					
Philippine peso-denominated	-	-	-	8,000	8,000
Interest rate	-	-	-	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	P12,629	P7,536	P20,943	P26,392	P67,500

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P80 and P80 for the year ended December 31, 2021 and 2020, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using derivative and non-derivative instruments to manage its foreign currency risk exposure.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2021		2020	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$210**	**P10,716**	US$174	P8,353
Trade and other receivables	**22**	**1,129**	28	1,323
Noncurrent receivables	**-**	**10**	-	10
	232	**11,855**	202	9,686
Liabilities				
Loans payable	**-**	**-**	2	96
Trade payables and other current liabilities	**101**	**5,170**	125	5,990
Lease liabilities	**1**	**38**	-	16
Other noncurrent liabilities	**-**	**14**	-	-
	102	**5,222**	127	6,102
Net Foreign Currency-denominated Monetary Assets	**US$130**	**P6,633**	US$75	P3,584

The Group reported net foreign exchange gains (losses) amounting to P46, P31 and (P5) in 2021, 2020 and 2019, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 27). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippines Peso
December 31, 2021	**P50.999**
December 31, 2020	48.023
December 31, 2019	50.635

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as at December 31, 2021 and 2020.

	2021			
	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
	Effect on Income before Income Tax	**Effect on Equity (Net of Tax)**	**Effect on Income before Income Tax**	**Effect on Equity (Net of Tax)**
Cash and cash equivalents	**(P20)**	**(P205)**	**P20**	**P205**
Trade and other receivables	**(1)**	**(22)**	**1**	**22**
	(21)	**(227)**	**21**	**227**
Loans payable	**-**	**-**	**-**	**-**
Trade payables and other current liabilities	**21**	**96**	**(21)**	**(96)**
Other noncurrent liabilities	**-**	**1**	**-**	**(1)**
	21	**97**	**(21)**	**(97)**
	P -	**(P130)**	**P -**	**P130**

	2020			
	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P27)	(166)	P27	P166
Trade and other receivables	-	(27)	-	27
	(27)	(193)	27	193
Loans payable	-	2	-	(2)
Trade payables and other current liabilities	63	106	(63)	(106)
	63	108	(63)	(108)
	P36	(P85)	(P36)	P85

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group of Companies and managing inventory levels of common materials.

The Group uses commodity futures, swaps and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P41,581**	**P41,581**	**P41,581**	**P -**	**P -**	**P -**
Trade and other receivables - net	**22,857**	**22,857**	**22,857**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**23**	**23**	**23**	**-**	**-**	**-**
Financial assets at FVOCI (included under "Investments" account)	**5,157**	**5,157**	**-**	**-**	**-**	**5,157**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**198**	**198**	**-**	**88**	**43**	**67**

Forward

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Liabilities						
Loans payable	**5,191**	**5,150**	**5,150**	**-**	**-**	**-**
Trade payables and other current liabilities (excluding derivative liabilities)	**60,613**	**60,613**	**60,613**	**-**	**-**	**-**
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**204**	**204**	**204**	**-**	**-**	**-**
Long-term debt (including current maturities)	**73,405**	**86,953**	**10,065**	**3,260**	**46,064**	**27,564**
Lease liabilities (including current portion)	**4,834**	**11,823**	**680**	**589**	**1,429**	**9,125**
Other non-current liabilities	**47**	**47**	**-**	**33**	**-**	**14**

December 31, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P37,013	P37,013	P37,013	P -	P -	P -
Trade and other receivables - net	20,032	20,032	20,032	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	172	172	172	-	-	-
Financial assets at FVOCI (included under "Investments" account)	4,855	4,855	-	-	-	4,855
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	226	226	-	93	83	50
Financial Liabilities						
Loans payable	10,780	10,794	10,794	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	54,414	54,414	54,414	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	24	24	24	-	-	-
Long-term debt (including current maturities)	67,099	79,650	15,283	9,295	26,564	28,508
Lease liabilities (including current portion)	4,782	12,205	715	505	1,370	9,615
Other non-current liabilities	78	78	-	62	7	9

Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables
The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Credit Quality
In monitoring and controlling credit extended to a counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	Note	**2021**	2020
Cash and cash equivalents (excluding cash on hand)	*7*	**P41,483**	P36,358
Trade and other receivables - net	*8*	**22,857**	20,032
Derivative assets	*11*	**23**	172
Financial assets at FVOCI	*12*	**5,157**	4,855
Noncurrent receivables and deposits - net	*17*	**198**	226
		P69,718	P61,643

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	Financial Assets at Amortized Cost				
2021	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P41,483**	**P -**	**P -**	**P -**	**P41,483**
Trade and other receivables - net	**22,857**	**-**	**1,385**	**-**	**24,242**
Derivative assets	**-**	**-**	**-**	**23**	**23**
Noncurrent receivables and deposits - net	**-**	**198**	**-**	**-**	**198**
	P64,340	**P198**	**P1,385**	**P23**	**P65,946**

	Financial Assets at Amortized Cost				
2020	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P36,358	P -	P -	P -	P36,358
Trade and other receivables - net	20,032	-	1,554	-	21,586
Derivative assets	-	-	-	172	172
Noncurrent receivables and deposits - net	-	226	42	-	268
	P56,390	P226	P1,596	P172	P58,384

The aging of receivables is as follows:

2021	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P15,549**	**P1,135**	**P558**	**P17,242**
Past due:				
1 - 30 days	**3,479**	**224**	**74**	**3,777**
31 - 60 days	**510**	**86**	**39**	**635**
61 - 90 days	**66**	**145**	**14**	**225**
Over 90 days	**802**	**658**	**903**	**2,363**
	P20,406	**P2,248**	**P1,588**	**P24,242**

2020	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P13,784	P724	P340	P14,848
Past due:				
1 - 30 days	2,588	233	101	2,922
31 - 60 days	557	90	55	702
61 - 90 days	229	33	30	292
Over 90 days	1,186	731	905	2,822
	P18,344	P1,811	P1,431	P21,586

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

The credit risk for cash and cash equivalents and derivative assets, financial assets at FVOCI is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group is not subject to externally imposed capital requirements.

34. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as at December 31, 2021 and 2020:

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P41,581**	**P41,581**	P37,013	P37,013
Trade and other receivables - net	**22,857**	**22,857**	20,032	20,032
Derivative assets (included under "Prepaid expenses and other current assets" account)	**23**	**23**	172	172
Financial assets at FVOCI (included under "Investments" account)	**5,157**	**5,157**	4,855	4,855
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**198**	**198**	226	226
Financial Liabilities				
Loans payable	**5,191**	**5,191**	10,780	10,780
Trade payables and other current liabilities (excluding derivative liabilities)	**60,613**	**60,613**	54,414	54,414
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**204**	**204**	24	24
Long-term debt (including current maturities)	**73,405**	**74,450**	67,099	72,007
Lease liabilities (including current portion)	**4,834**	**4,834**	4,782	4,802
Other noncurrent liabilities	**47**	**47**	78	78

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, and Noncurrent Receivables and Deposits. The carrying amounts of cash and cash equivalent and trade and other receivables approximate fair values primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, the fair value approximates the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding commodity derivatives, the fair values are determined based on quoted prices obtained from active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market.

Loans Payable, Trade Payables and Other Current Liabilities, and Other Noncurrent Liabilities. The carrying amounts of loans payable and trade payables and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments. In the case of other noncurrent liabilities, the carrying amount approximates the fair value as at reporting date as the impact of discounting is immaterial.

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. As at December 31, 2021 and 2020, discount rates used ranges from 1.07% to 4.70% and from 1.11% to 2.31% respectively.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in profit or loss. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of various commodity options entered into by SMC on behalf of the Group.

As of December 31, 2021 and 2020, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As of December 31, 2021 and 2020, the total outstanding notional amount of such embedded currency forwards amounted to US$215 and US$126, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net positive (negative) fair value of these embedded currency forwards amounted to (P181) and P148 as of December 31, 2021 and 2020, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P509), P442 and P282 in 2021, 2020 and 2019, respectively (Note 27).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P148**	P113
Net change in fair value of non-accounting hedges	*27*	**(509)**	442
		(361)	555
Less fair value of settled instruments		**542**	(407)
Balance at end of year		**P181**	P148

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

2021	**Level 1**	**Level 2**	**Total**
Financial Assets			
Derivative assets	**P -**	**P23**	**P23**
Financial assets at FVOCI	**5,156**	**1**	**5,157**
Financial Liabilities			
Derivative liabilities	**-**	**204**	**204**

2020	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P172	P172
Financial assets at FVOCI	4,855	-	4,855
Financial Liabilities			
Derivative liabilities	-	24	24

The Group has no financial instruments valued based on Level 3 as at December 31, 2021 and 2020. In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

35. Registration with the Board of Investments (BOI) and the Authority of Freeport Area of Bataan (AFAB)

Certain expansion projects of SMFB's consolidated subsidiaries are registered with the BOI, as pioneer and non-pioneer status, or with AFAB. As registered enterprises, these SMFB's subsidiaries are subject to certain requirements and are entitled to certain tax and non-tax incentives.

SMFI

SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat meals projects. In accordance with the provisions of Executive Order No. 226 (EO no. 226), otherwise known as *"The Omnibus Investment Code of 1987"* and the Republic Act. No. 9728 (RA 9782), also known as *"The Freeport Area of Bataan Act of 2009",* the projects are entitled, among others, to fiscal incentives described as follows:

a) *New Producer of Hogs.* SMFI's (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Hog Project) was registered with the BOI on a pioneer status on July 30, 2008 under Certificate of Registration No. 2008-192. The Sumilao Hog Project was entitled to ITH for a period of six years, extendable under certain conditions to eight years.

   SMFI's six-year ITH for the Sumilao Hog Project ended on January 31, 2015. The Company's application for one year extension of ITH from February 1, 2015 to January 31, 2016 was approved by the BOI on May 20, 2016. Application for the second year extension of ITH was no longer pursued by SMFI.

   Notwithstanding the expiration of ITH benefit in 2016, SMFI is still required to continue submission of annual reports to the BOI for a period of five (5) years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

   On February 11, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2008-192. On July 21, 2021, by virtue of Resolution No. 27-02, series of 2021, the Management Committee of the BOI noted the action taken by the Executive Director in approving the request for cancellation and removal of said registration from the BOI's Book of Registry.

b) *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years. The ITH period of the project commenced on July 1, 2018.

c) *New Producer of Animal and Aqua Feeds.* The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years.

On May 24, 2019, BOI approved SMFI's request to move Davao Feedmill Project's start of commercial operations and ITH reckoning date to April 2019. The ITH period of the project commenced on April 1, 2019.

d) *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered with the BOI on a non-pioneer status on November 10, 2015 under Certificate of Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years.

On May 24, 2019, the BOI approved SMFI's request to move Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 1, 2019.

e) SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the Authority of Freeport Area of Bataan (AFAB) as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species* on January 6, 2017-057 under Certificate of Registration No. 2017-057, valid for a period of one (1) year, renewable annually subject to qualifications as determined by AFAB.

Said AFAB registration of the Bataan Feedmill Project has been renewed accordingly as follows:

Registration Renewal Date	Certificate of Registration No.	Annual Period Covered
March 6, 2018	2018-096	2018
February 14, 2019	2019-079	2019
December 10, 2019	2020-047	2020
December 29, 2020	2021-081	2021

Under the terms of SMFI's AFAB registration, Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on May 1, 2018.

f) *New Producer of Ready-to-Eat Meals.* The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered on a non-pioneer status on December 13, 2017 under Certificate of Registration No. 2017-335. The Ready-to-Eat Project is entitled to ITH for four years from March 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On March 19, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2017-335. On May 19, 2021, by virtue of Resolution No. 19-07, series of 2021, the Management Committee of the BOI noted the cancellation of said registration undertaken by the Executive Director and the deletion of the registration from the BOI's Book of Registry.

g) *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Phividec, Tagaloan, Misamis Oriental feedmill project (CDO Feedmill Project) was registered on a non-pioneer status on May 27, 2020 under Certificate of Registration No. 2020-075. The CDO Feedmill Project is entitled to ITH for four years from June 2020 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years. ITH period of the project commenced on June 1, 2020.

PF-Hormel

PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in Executive Order No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017 until November 2020.

SMMI

SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Product (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in Executive Order No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier.

On July 25, 2019, the BOI approved SMMI's subsequent request to further adjust the ITH reckoning date to July 2019 or actual start of commercial operations, whichever is earlier. The ITH period of the project commenced on December 1, 2019.

On August 7, 2020, by virtue of Resolution No. 15-19, Series of 2020, the BOI approved SMMI's request for amendment of ITH Base Figure from peso sales value of 9,582,065,157 to sales volume of 388,447 Metric Tons.

36. Other Matters

(a) Toll Agreements

The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the "Parties"). The terms of the agreements include the following, among others:

- The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.
- Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.
- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses amounted to P7,784, P8,376 and P9,210, respectively, in 2021, 2020 and 2019.

(b) Contingencies

The Group is a party to certain lawsuits or claims (mostly labor-related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

- SEC Case

  On September 10, 2018, SMFB, SMC and GSMI received from the SEC Special Hearing Panel, a Summons dated September 3, 2018 furnishing SMC, SMFB and GSMI a copy of the Amended Petition in a case filed by Josefina Multi-Ventures Corporation (the "Petitioner") against SMC, SMFB and GSMI docketed as SEC Case No. 05-18-468 (the "Petition"). The Petition seeks: (i) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from the increase in SMFB's capital stock, and (b) SMFB's Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

  In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries SMB and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

  The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc, which is still pending resolution. In a Decision dated September 14, 2020, the SEC *En Banc* denied the Appeal Memorandum filed by Josefina for lack of merit.

  To date, SMFB has not received any notice that Petitioner has elevated or appealed the case to the Court of Appeals. The period for filing an appeal having expired, the March 12, 2020 decision of the SEC *En Banc* is deemed final and executory.

- Claims for Tax Refund

  i. Filed by SMC

     On April 12, 2004 and May 26, 2004, SMC was assessed by the BIR for deficiency excise tax on "San Mig Light", one of its beer products. SMC contested the assessments before the Court of Tax Appeals (CTA) First Division under two cases: CTA Case Nos. 7052 and 7053. To these cases was consolidated SMC's claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it for its "San Mig Light" product for the period of February 2, 2004 to November 30, 2005 (docketed as CTA Case No. 7405). The CTA, through its First Division, and the CTA En Banc (on appeal), both ruled in favor of SMC. On April 1, 2013, the BIR elevated the consolidated cases to the Supreme Court (docketed as G.R. No. 205723).

     SMC filed with the CTA by way of petition for review (Third Division and docketed as CTA Case No. 7708), a second claim for refund for overpayments of excise taxes for the period of December 1, 2005 to July 31, 2007 on November 27, 2007, as SMC was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. The CTA Third Division granted SMC's petition for review and ordered the BIR to refund or issue a TCC in favor of SMC. The BIR elevated the decision of the Third Division to the CTA En Banc but its appeal was denied. Subsequently, the BIR filed a petition for review with the Supreme Court (docketed as G.R. No. 205045).

On January 25, 2017, the Supreme Court decided in the consolidated cases of GR Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of P926 for the period December 1, 2005 to July 31, 2007, and P782 for the period February 2, 2004 to November 30, 2005. The Office of the Solicitor General filed motions for reconsideration, which were denied by the Supreme Court with finality on April 19, 2017. On November 12, 2018, after the cases under G.R. Nos. 205045 and 205723 were remanded by the Supreme Court to the CTA, SMC filed a motion for execution in CTA Case Nos. 7052, 7053 and 7405 on the final judgment of the CTA of P782 representing refund of excess taxes erroneously collected by the BIR for the period of February 2, 2004 to November 30, 2005; and another separate motion for execution in CTA Case No. 7708 on the final judgment of P926 for the period of December 1, 2005 to July 31, 2007. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

The BIR issued ITS TCC Trans No. 121-20-00012 and 121-20-00013 amounting to P782 for CTA Case No. 7405 and P926 for CTA Case No. 7708, respectively in favor of SMC on September 8, 2020.

SMC filed its third claim for refund with the CTA (Third Division docketed as CTA Case No. 7953) on July 24, 2009 for overpayments of excise taxes for the period of August 1, 2007 to September 30, 2007. This case was consolidated with CTA Case No. 7973 below.

The BIR issued ITS TCC Trans No. 121-20-00010 amounting to P105 in favor of SMC on August 10, 2020.

ii. Filed by SMB

In the meantime, effective October 1, 2007, SMC spun off its domestic beer business into SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR and in excess of what it believes to be the excise tax rate applicable to it.

SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review on the following dates:

(a) first claim for refund of overpayments for the period from October 1, 2007 to December 31, 2008 - Second Division docketed as CTA Case No. 7973 (September 28, 2009);

(b) second claim for refund of overpayments for the period of January 1, 2009 to December 31, 2009 - First Division docketed as CTA Case No. 8209 (December 28, 2010);

(c) third claim for refund of overpayments for the period of January 1, 2010 to December 31, 2010 - Third Division docketed as CTA Case No. 8400 (December 23, 2011);

(d) fourth claim for refund of overpayments for the period of January 1, 2011 to December 31, 2011 - Second Division docketed as CTA Case No. 8591 (December 21, 2012);

(e) fifth claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);

(f) sixth claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);

(g) seventh claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);

(h) eighth claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);

(i) ninth claim for refund of overpayments for the period of January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);

(j) tenth claim for refund of overpayments for the period of January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);

(k) eleventh claim for refund of overpayments for the period of January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019);

(l) twelfth claim for refund of overpayments for the period of January 1, 2019 to December 31, 2019 - Third Division docketed as CTA Case No. 10421 (December 16, 2020); and

(m) thirteenth claim for refund of overpayments for the period of January 23, 2020 to February 9, 2020 - docketed as CTA Case No. 10745 (via electronic mail on January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022)

CTA Case No. 7973 was consolidated with CTA Case No. 7953 (filed by SMC). For CTA Case No. 7973, the CTA Third Division decided in favor of SMC and SMB and ordered the BIR to refund SMB the amount of P829 and the amount of P105 to SMC. The BIR appealed to the CTA *En Banc* which affirmed the decision of the Third Division. The BIR then elevated the case to the Supreme Court but its petition was denied by the Supreme Court through its September 11, 2017 and December 11, 2017 Resolutions (docketed as GR No. 232404). With the decision in favor of SMC and SMB, both companies, through counsel, on January 23, 2019, moved for the execution of the decision as the records of the case were returned to the CTA. The Writ of Execution was issued on March 18, 2019 by the CTA Special Second Division in the amount of P829. SMB filed an application for the issuance of a TCC with the BIR.

The ITS TCC Trans No. 121-20-00009 was issued by the BIR in favor of SMB on August 10, 2020 in the amount of P829. P809 out of P829 was partially applied to SMB's 2020 tax obligations. The remaining P20 was applied in 2021.

CTA Case No. 8209 was decided in favor of SMB by the CTA First Division, ordering the BIR to refund the amount of P731. The case was not elevated within the prescribed period, thus, the decision became final and executory. The BIR filed a Petition for Relief from Judgment which was denied by the CTA. Separately, the First Division granted SMB's Motion for Execution for the refund of P731, while the BIR filed a Petition for Certiorari before the Supreme Court (docketed as GR No. 221790). The Petition for Certiorari was dismissed by the Supreme Court with finality but the BIR still filed an Urgent Motion for Clarification. Subsequently, SMB received a clarificatory Resolution dated February 20, 2017 wherein the Supreme Court reiterated its grounds for the denial of the BIR's Petition for Certiorari and expunged from the records all pleadings of the BIR filed after its denial of BIR's Petition for Certiorari had become final and executory. SMB filed an application for the issuance of a TCC in the amount of P731. On November 6, 2019, the BIR issued ITS TCC Trans No. 121-19-00010 in favor of SMB which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8400 was decided in favor of SMB by both the CTA Third Division and the CTA *En Banc*. The BIR was ordered to refund to SMB the amount of P699. The BIR elevated the case to the Supreme Court but the Supreme Court denied the BIR's petition through its March 20, 2017 Resolution. The BIR moved for reconsideration but the same was similarly denied by the Supreme Court through its July 24, 2017 Resolution. With the decision in favor of SMB, SMB, moved for the execution of the decision on January 23, 2019 as the records of the case were already returned to the CTA. On May 30, 2019, CTA Special Third Division issued a Writ of Execution in the amount of P699 in favor of SMB. SMB filed an application for TCC issuance. The BIR issued ITS TCC Trans No. 121-19-00009 in favor of SMB on November 13, 2019 which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8591 was decided in favor of SMB by the CTA Second Division and CTA *En Banc*. The BIR was ordered to refund to SMB the amount of P740. The BIR elevated the case to the Supreme Court by way of petition for review (docketed as GR No. 232776), where it was denied on February 21, 2018. The BIR filed a Motion for Reconsideration, which was denied with finality on July 23, 2018. SMB filed a motion for the execution of the decision with the CTA Second Division. The CTA Second Division issued a Writ of Execution in the amount of P740 on November 13, 2019. SMB filed an application for TCC with the BIR in January 2020 which was issued on August 10, 2020. The said ITS TCC Trans No. 121-20-00008 with an amount of P740 has been fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8748 was decided in favor of SMB by the CTA Second Division, ordering the BIR to refund to SMB the amount of P761. The BIR appealed the decision to the CTA *En Banc* by way of a Petition for Review, which was denied on October 11, 2018. A Motion for Reconsideration was filed by the BIR on November 5, 2018 (docketed as CTA EB Case No. 1730) to which SMB filed an opposition. The CTA *En Banc* denied BIR's Motion for Reconsideration. Thus, the BIR filed a Petition for Review with the Supreme Court in June 2019. The Supreme Court issued a Resolution dated January 27, 2021 denying the BIR's Petition for Review for failure to show any reversible error warranting the exercise by the Supreme Court of its discretionary appellate jurisdiction. SMB is awaiting the issuance of the corresponding Entry of Judgment.

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the Regional Trial Court rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA *En Banc* by way of a Petition for Review. On September 19, 2018, the CTA *En Banc* reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA *En Banc* in a resolution dated January 24, 2019. The BIR sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738.

After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated. The records have been remanded and the case is now pending with the CTA Third Division.

CTA Case No. 9223, SMB's claim for refund for P60, was partially decided in favor of SMB by the CTA Third Division. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 21, 2022, the CTA *En Banc* rendered a Decision denying the separate Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258812.

CTA Case No. 9513, SMB's claim for refund for P48, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 4, 2021, the CTA *En Banc* affirmed the decision of CTA Second Division. Both parties filed for a motion for reconsideration on the CTA *En Banc*'s Decision. In its October 22, 2021 Resolution, the CTA *En Banc* denied the parties' motions for reconsideration. On December 16, 2021, SMB file a Petition for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784.

CTA Case No. 9743, SMB's claim for refund for P30, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petition for Review with the CTA *En Banc*. On February 10, 2022, the CTA *En Banc* rendered a Decision denying the Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258813.

CTA Case No. 10000, SMB's claim for refund for P123, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of P123. The BIR filed for a motion for reconsideration.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA First Division.

CTA Case No. 10421, SMB's claim for refund for P162, was filed on December 16, 2020. SMB filed a Motion to Withdraw the Petition for Review as the BIR issued a TCC in the amount of P162. In its November 29, 2021 Resolution, the CTA granted SMB's Motion to Withdraw the Petition and deemed the Petition as withdrawn and the case closed and terminated. P80 was applied to SMB's tax obligations in 2021.

CTA Case No. 10745, SMB's claim for refund for P1,069, was personally filed on February 2, 2022. The case is yet to be raffled to a Division of the CTA. The case is a consolidation of two claims, to wit:

i. P8 under RA No. 10351 -the overpayment arose from the BIR's imposition of excise tax of P27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on RMC No. 90-2012 and RR No. 17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of P26.44 per liter under Section 143 of the NIRC, as amended by RA No. 10351 beginning January 1, 2020.

ii. P1,061 under RA No. 11467 -the overpayment arose from the BIR's imposition of excise tax of P35.00 per liter on SMB's beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

An administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of P8 was filed with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of P8.

iii. Filed by GSMI

GSMI filed two claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review as follows:

(a) CTA Case Nos. 8953 and 8954: These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, The CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the Commissioner of Internal Revenue filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P320 out of its original claim of P715.

GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

On January 4, 2022, GSMI elevated to the CTA *En Banc* the Decision dated 28 July 2020, Amended Decision dated February 1, 2021, and Resolution dated October 28, 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA E.B. No. 2555.

Earlier, the CIR also filed a Petition for Review with the CTA *En Banc* elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division.

(b) CTA Case No. 9059: This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said Decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA *En Banc* by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA *En Banc* denied the Petition for Review filed by GSMI. The Decision dated 6 February 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 16, 2021, GSMI elevated the Decision of the CTA *En Banc* to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 25839.

- Pending Tax Cases

i. IBI

a. The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the CTA First Division. On August 14, 2015, the CTA First Division partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA *En Banc* and the case was docketed as CTA EB Case No. 1417. To interrupt the running of interests, IBI filed a Motion to Pay without Prejudice, which was granted by the CTA *En Banc*. As a result, IBI paid the amount of P270 on August 26, 2016. On January 30, 2018, the CTA *En Banc* rendered a decision affirming the decision of the CTA First Division. IBI filed a Motion for Partial Reconsideration and the BIR filed its Motion for Reconsideration, which were denied by CTA *En Banc* in a resolution dated July 16, 2018. IBI and the BIR elevated the case to the Supreme Court with IBI filing its Petition for Review on September 7, 2018 docketed as G.R.Nos. 241147-48 and was raffled to the First Division of the Supreme Court. On the other hand, the BIR's Petition was docketed as G.R. nos. 240651 and 240665 and was raffled to the Second Division of the Supreme Court.

On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019. IBI's Petition was denied with finality on June 26, 2019.

On March 11, 2019, the Supreme Court issued a Resolution requiring IBI to file its comment to the BIR's Petition. IBI filed its Comment on June 17, 2019.

On December 16, 2019, IBI and the BIR executed a Compromise Agreement. The BIR recognized the total payment of IBI in the amount of P285 as full satisfaction of the latter's supposed tax liability for taxable year 2009. The BIR further acknowledged that IBI no longer has any tax liability based upon, arising from, or in connection with CTA Case No. 8607.

On July 6, 2021, the Supreme Court approved the Compromise Agreement and considered G.R. Nos. 240651 and 240665 closed and terminated.

b. On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA Third Division and the case was docketed as CTA Case No. 8813. The CTA Third Division held IBI liable to pay deficiency income tax, interests and penalties. IBI thus filed its Petition for Review before the CTA *En Banc* (docketed as CTA Case EB No. 1563 and 1564). In 2017, IBI filed an application for abatement, with corresponding payment of basic tax, in the amount of P110, where IBI requested for the cancellation of the surcharge and interests. On September 19, 2018, the CTA *En Banc* did not consider the payment of basic deficiency tax of P110 for failure to attach certain requirements relating to the application for abatement; thus, IBI was ordered to pay a modified amount of P501 in light of the TRAIN Law amendments on interest. IBI filed a Motion for Reconsideration and, at the same time, submitted the original documents in relation to the application for abatement. The BIR also filed its Motion for Partial Reconsideration, to which IBI filed its Comment/Opposition. The CTA *En Banc* has likewise ordered the BIR to file its Comment/Opposition to IBI's Motion for Reconsideration but IBI has yet to receive the same. Meanwhile, IBI's application for abatement remains pending for resolution by the BIR.

Noting the BIR's failure to file its Comment/Opposition, the Court issued a Resolution dated April 17, 2019, which IBI received on May 9, 2019, denying the BIR's Motion for Partial Reconsideration of the CTA En Banc Decision promulgated on September 18, 2018 and partially granting the Motion for Reconsideration filed by IBI of the said CTA En Banc Decision.

IBI and the BIR filed their respective Petitions for Review with the Supreme Court docketed as G.R. Nos. 246911-12 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

On December 27, 2019 IBI filed a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle IBI's deficiency taxes for taxable year 2010. In its Manifestation dated February 26, 2020, the BIR confirmed receipt of payment pursuant to the Compromise Agreement executed between the IBI and the BIR.

On September 2, 2020, the Supreme Court issued a Resolution requiring IBI and the BIR to manifest whether they consider the case closed and terminated. In compliance, IBI filed its manifestation on September 14, 2020. On December 3, 2020, IBI received a Manifestation filed by the BIR manifesting that in view of its receipt of certified true copy of Certificate of Availment (Compromise Settlement), the BIR considers the cases as closed.

On March 3, 2021, the Supreme Court considered GR Nos. 246911-12 and 246865, closed and terminated.

c. On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax and miscellaneous tax deficiencies with administrative penalties. IBI addressed the assessment of each tax type with factual and legal bases in a Protest filed within the reglementary period. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657. In the meantime, an application for abatement was submitted to the BIR in August 2017. Both the Petition for Review and the application for abatement remain pending at the CTA Third Division and the BIR, respectively, with IBI submitting its Formal Offer of Evidence in October 2018 to the CTA Third Division. The Petition for Review, however, was subsequently transferred from the CTA Third Division to the First Division pursuant to CTA Administrative Circular No. 02-2018 dated September 18, 2018, reorganizing the three (3) Divisions of the Court.

On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, documentary stamp tax and compromise penalty were cancelled and set aside. However, the assessment for deficiency expanded withholding tax was affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc*. On January 25, 2021, IBI filed its Comment to the Petition for Review.

The CTA *En Banc* promulgated a Resolution on February 4, 2021 noting IBI's Comment to the Petition for Review, and referring the case for mediation in the Philippine Mediation Center - Court of Tax Appeals.

ii. SMFI

(a) SMFI (as the surviving corporation in a merger involving Monterey Foods Corporation [MFC]) vs. Commissioner of Internal Revenue (CIR) CTA Case 9046.

In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, a Final Decision on Disputed Assessment (FDDA) was issued by the BIR on January 14, 2015 upholding the deficiency income tax, VAT and documentary stamp tax (DST) assessments against SMFI.

SMFI filed a Request for Reconsideration which the CIR denied prompting SMFI to file a Petition for Review with the CTA, docketed as CTA Case No. 9046.

The CTA First Division granted the Petition for Review filed by SMFI based on the following grounds: (1) the Formal Letter of Demand/Final Assessment Notice issued by the BIR was void as it did not contain demand to pay taxes due within a specific period; and (2) lack of valid Letter of Authority. Accordingly, the Formal Letter of Demand/Final Assessment Notice issued against SMFI for deficiency income tax, VAT and DST for the period January 1 to August 31, 2010 and the FDDA, for being intrinsically void, were ordered cancelled.

The BIR filed a Motion for Reconsideration with the CTA First Division, which was denied.

The BIR then filed a Petition for Review before the CTA *En Banc*, which was also denied.

The CTA En Banc likewise denied the Motion for Reconsideration filed by the BIR.

The BIR then filed a Petition for Review on Certiorari with the Supreme Court.

While the Petition was pending, the BIR issued a Warrant of Distraint and/or Levy (WDL) against SMFI (as the surviving corporation). SMFI requested BIR for the lifting and cancellation of the WDL and filed an Urgent Omnibus Motion with the CTA to suspend collection of taxes and declare the WDL null and void.

To put an end to a protracted, expensive, and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a Judicial Compromise Agreement (JCA), which the SC approved on June 28, 2021. The SC further ruled that the case should be considered closed and terminated.

(b) SMFI vs. CIR CTA Case No. 9241

On December 16, 2015, an FDDA was issued by the BIR assessing deficiency income tax and VAT against SMFI in connection to the tax investigation for the period January 1 to December 31, 2010.

The deficiency income tax and VAT pertain to the disallowed NOLCO and input tax credits which were transferred to and vested in SMFI from MFC by operation of law as a result of the merger between SMFI and MFC. According to the BIR, as the ruling (BIR Ruling 424-14 dated October 24, 2014) issued in connection to the merger of SMFI and MFC did not contain an opinion on the assets and liabilities transferred during the merger, the NOLCO and input tax credits from MFC were disallowed. However, it is SMFI's position that the use of the NOLCO and input tax credit from MFC, as the surviving corporation pursuant to a statutory merger is proper, as the same is allowed by law, BIR issuances and confirmed by several BIR rulings prevailing at the time of the transaction.

SMFI filed a Petition for Review before the CTA, docketed as CTA Case No. 9241.

The CTA Third Division rendered a decision granting the SMFI's Petition for Review and cancelling the deficiency income tax and VAT assessment issued by the BIR. The BIR then filed a Motion for Reconsideration which was denied.

Despite the finality of the Decision, the BIR issued a WDL against SMFI. SMFI requested BIR for the lifting and cancellation of the WDL.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a JCA, which was approved by the CTA Third Division.

The CTA Third Division also declared the WDL null and void and ordered it to be cancelled and withdrawn.

(c) SMFI vs. Office of the City Treasurer, City of Davao

SMFI filed several protests against the assessments issued by the City Treasurer of Davao City imposing permit fees to slaughter against its poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

Following the dismissal of the appeals filed by SMFI with the Davao Regional Trial Courts (RTC), the following Petitions for Review were filed with the CTA:

- CTA Case AC No. 209, filed on August 23, 2018
- CTA Case AC No. 210, filed on November 12, 2018
- CTA Case AC No. 249, filed on February 26, 2021

It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses are beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

The CTA First Division dismissed the Petition docketed as CTA Case AC No. 209. SMFI's Motion for Reconsideration was denied. A Petition for Review was then filed with the CTA En Banc, which is pending resolution to date.

The CTA First Division also dismissed the Petition docketed as CTA Case AC No. 210. SMFI's Motion for Reconsideration was likewise denied. The SMFI's Petition for Review with the CTA En Banc is pending resolution.

The last Petition for Review docketed as AC No. 249 is still pending resolution.

- Intellectual Property Cases Pending with the Supreme Court (SC)

i. G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals (CA) affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC En Banc. The SC denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the SC En Banc.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of "League of Cities vs. Commission of Elections" (G.R. Nos. 176951, 177499 and 178056) to invite the SC En Banc to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the SC En Banc Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On January 4, 2019, the SC Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R. Nos. 216104, 210224 and 219632) with the En Banc case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of [TDI] and [GSMI] before the [IPO]."

On February 3, 2020, GSMI filed a Manifestation with the SC Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the SC *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court En Banc. Furthermore, the SC *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

ii. G. R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 27 January 2020, it received a copy of a Decision dated 27 December 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated 3 February 2020 on the IPO Director General's Decision dated 27 December 2019.

iii. G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 27 January 2020, it received a copy of a Decision dated 27 December 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

(c) Commitments

The outstanding purchase commitments of the Group as at December 31, 2021 and 2020 amounted to P38,004 and P31,515, respectively.

Amount authorized but not yet disbursed for capital projects is approximately P14,495 and P11,597 as at December 31, 2021 and 2020, respectively.

(d) Foreign Exchange Rates

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso were closing rates of P50.999 and P48.023 in 2021 and 2020, respectively, for consolidated statements of financial position accounts; and average rates of P49.285, P49.624 and P51.790 in 2021, 2020 and 2019, respectively, for income and expense accounts.

(e) Effect of COVID-19 Business Operations

2021 was a year of economic recovery which saw business operations once again opening up, while the challenges of COVID-19 still remained throughout the year. Commercial activities have started to pick up as COVID-19 quarantine restrictions were relatively lighter compared to 2020.

The Group delivered robust financial results, demonstrating resilience in the face of challenges brought about by the ongoing pandemic, posting 40% growth in consolidated net income, inching forward to 2019 pre-pandemic level. These solid results were supported by consistent volume recovery throughout the year.

37. Events After the Reporting Date

(a) Absolute Sale Agreement

On January 3, 2022, SMFI, PHC and SMMI entered into an Absolute Sale agreement with San Miguel Integrated Logistics Services, Inc. amounting to P1,927 for the purchase of identified assets used in logistics operations subject to certain conditions.

(b) Declaration of Cash Dividends

On February 3, 2022, the BOD of the Parent Company declared cash dividends to all common shareholders of record as of February 18, 2022 amounting to P0.40 per common share. Cash dividends for common shares was paid on March 3, 2022.

(c) Russia-Ukraine Conflict

The ongoing conflict between Russia and Ukraine has no direct effect to the Group. However, based on recent events and market sentiments, oil prices are expected to be high during the crisis and in the event of a protracted conflict, oil supply could become tight.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as at and for the year ended December 31, 2021 have not been adjusted.

The extent to which the ongoing conflict will affect the Group will depend on future developments, including the actions and decisions taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 9, 2022.

SAN MIGUEL
FOOD AND BEVERAGE, INC.

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