

# ANNEX H: SUSTAINABILITY REPORT

## Contextual Information

COMPANY DETAILS	
Name of Organization	<b>SAN MIGUEL FOOD AND BEVERAGE, INC.</b>
Location of Headquarters	100 E. Rodriguez Jr. Avenue (C5 Road) Barangay Ugong, Pasig City 1604 Metro Manila, Philippines
Location of Operations	<p>San Miguel Food and Beverage, Inc. (SMFB or the “Company”) and its subsidiaries (collectively referred to as the “Group”) conduct business operations locally and internationally.</p> <p>The list of offices, production facilities, warehouses, and other facilities, including their locations, are detailed in SMFB’s 2023 Annual Report (SEC Form 17-A: Annex C – List of Properties)</p>
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	<p>This report discloses the sustainability performance indicators from SMFB’s operating divisions: San Miguel Brewery Inc. (SMB), Ginebra San Miguel Inc. (GSMI), and subsidiaries comprising the San Miguel Foods group (SMF).</p> <p>Also included are subsidiaries of GSMI: Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., and Agricrops Industries Inc.; and subsidiaries comprising SMF: San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., and The Purefoods-Hormel Company, Inc.</p> <p>The coverage of this report is limited to the Group’s Philippine operations despite its products and brands having a global presence.</p>
Business Model, including Primary Activities, Brands, Products, and Services	<p>SMFB is a leading food and beverage company in the Philippines. It has three operating divisions—beer and non-alcoholic beverages through SMB, spirits through GSMI, and food and animal nutrition through SMF.</p> <p>The brands produced, marketed, and sold by the Group 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 <i>San Miguel Pale Pilsen</i>, <i>San Mig Light</i> and <i>Red Horse</i> for beer;</p>

	<p><i>Ginebra San Miguel</i> for gin; <i>Magnolia</i> for chicken, dairy, ice cream, flour mixes and salad aids; <i>Monterey</i> for fresh and marinated meats; <i>Purefoods Tender Juicy</i> for hotdogs; <i>Purefoods</i> for other refrigerated, prepared, and processed meats and canned meats, ready-to-eat meals and seafood line; <i>Veega</i> for plant-based protein products; <i>Star</i> and <i>Dari Crème</i> for margarine; and <i>B-Meg</i> for animal feeds.</p> <p>SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to about 70 markets worldwide.</p>
Reporting Period	January 1 to December 31, 2023
Highest Ranking Person responsible for this report	Ildfonso B. Alindogan Vice President, Chief Finance Officer and Chief Strategy Officer

## Materiality Process

Transparency and accountability remain the bedrock of SMFB’s sustainability reporting, guiding its communication and engagement with stakeholders.

No material changes have occurred in the Company's activities, relationships, or broader business context over the past year. This continuity has allowed the Company to anchor its sustainability efforts in the findings of its previous materiality assessment, which continues to accurately reflect the critical environmental, social, and governance challenges and opportunities facing the organization.

With the consistent relevance of these identified material topics, the Company’s efforts have increasingly focused on the deeper implementation of initiatives designed to address these areas.

Although a comprehensive materiality reassessment was not undertaken in 2023, the Company remains committed to continuously monitoring the evolving internal and external landscape, ensuring that its materiality assessment remains dynamic and responsive to emerging trends and shifts. Furthermore, the Company’s adherence to globally recognized standards, including the Global Reporting Initiative and Sustainability Accounting Standards Board, ensures that the Company’s materiality process is robust, comprehensive, and aligned with best practices.

### Our 2022 Materiality Assessment Process

The materiality assessment process undertaken by SMFB in 2022 was comprehensive, beginning with identifying potential material topics. This was achieved by analyzing peer entities and reviewing internationally recognized environmental, social, and governance (ESG) standards, ensuring a complete understanding of relevant ESG issues within global and local contexts.

Following this, the Company engaged with its stakeholders through targeted sessions, aiming

to refine and prioritize these topics according to their impact to stakeholders and the Company's businesses. This culminated in a Materiality Validation Workshop, attended by senior management of San Miguel Corporation (SMC), where these topics were thoroughly examined and prioritized, affirming the Company's commitment to aligning our sustainability initiatives with stakeholder expectations.

#### Our Material Topics

In line with SMFB's parent company, SMC, the Company identified key ESG topics that are central to its sustainability agenda. Eight topics were highlighted as primary focus areas for the coming one to two years, directing the development and execution of sustainability strategies and initiatives to address ESG-related risks and opportunities. Another set of eight topics were deemed of moderate priority, reflecting areas already integrated into SMC's operational practices or applicable only to certain subsidiaries. For a complete description of each of the material topics, please refer to the Appendices of this Report.

As SMFB continues to improve its processes, enhance its policies, and develop responsive products and services, the Group's materiality processes and topics shall be reviewed and updated accordingly.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure <sup>1</sup>	2023	2022	Units
Direct economic value generated	382,887	359,672	In M PhP
Direct economic value distributed:			
a. Operating costs, including payments to suppliers	213,364	202,910	In M PhP
b. Employee wages and benefits	15,786	14,642	In M PhP
c. Dividends given to stockholders and interest payments to loan providers	31,820	25,686	In M PhP
d. Taxes paid to the government	103,217	93,215	In M PhP
e. Investments in various communities (e.g. donations, corporate social responsibility (CSR) programs)	129	173	In M PhP

<sup>1</sup> Figures can be cross-checked with the Company's 2023 Audited Financial Statements.

### Impacts and Risks

Over the years, the San Miguel brand has transformed into a household name that is interwoven with the economic and cultural fabric of the Philippines, supporting Philippine development and economic progress.

Direct economic value generated and distributed is a metric that indicates the profits created by

SMFB through its operations and the subsequent allocation of its revenues by stakeholder groups. SMFB continues to create value for a wide variety of stakeholders, including shareholders, investors, financial institutions, employees, suppliers and contractors, government authorities, and local communities.

The difference between value created and distributed is the economic value retained by SMFB, which goes towards further growing its business. SMFB remains committed to increasing the value generated and distributed to its stakeholders.

The figures quoted in the foregoing were extracted from SMFB’s 2023 Audited Financial Statements. In 2023, the value generated by SMFB amounted to P382.89 billion, the economic value distributed amounted to P364.32 billion or 95.15%, and the economic value retained amounted to P18.57 billion or 4.85%.

The following is the breakdown in percentage of the total economic value generated and distributed to various stakeholders:

<b>Stakeholder</b>	<b>% of Total Economic Value Distributed</b>
Operating costs, including payments to suppliers	55.72
Employee wages and benefits	4.12
Dividends given to stockholders and interest payments to loan providers	8.31
Taxes paid to the government	26.96
Investments in various communities (e.g., donations, CSR)	0.03

Despite its size and long history, SMFB still faces financial and non-financial risks, including:

- Competition risks
- Operational risks
- Legal and Regulatory risks
- Intellectual Property risks
- Social, Economic and Political risks
- Raw Materials Sourcing risks
- Financial risks (i.e., Interest Rate risk, Foreign Currency risk, Liquidity risk, Credit risk)

To manage such risks, the Group has established policies to identify and analyze key risks, set appropriate risk limits and controls, and monitor risks and adherence to limits. More details on these risks and their specific management policies can be found in the main narrative of SMFB’s 2023 SEC 17-A submission.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, Employees, Local Communities, Financial Institutions

**Management Approach for Impacts and Risks**

The Group operates in a competitive environment. In the food and beverage industry, competitive factors generally include price, product quality, brand awareness, distribution coverage, customer service and the ability to effectively respond to ever-changing shifts in consumer tastes and preferences. Competition also includes other discretionary items,

including food and beverage products not carried by the Group and other goods and services.

To compete, the Group continuously develops new and innovative products and services to meet market demands and maintain its broad customer base and strong market position. Operational risks are minimized through supply chain management. The Group ensures that there is continuous availability of raw materials by procurement through multiple sources, including purchasing some critical raw materials both within and outside the Philippines, as well as using alternative raw materials.

SMFB continues to seek ways to become more resilient as a company and enhances its business models to ride out market volatilities in order to achieve long-term sustainable growth and profitability.

In terms of its facilities, the Group continuously seeks to enhance the output and efficiency of its existing production facilities and/or increase production capacity by adding more lines or building more facilities. The facilities are subjected to continuous and regular maintenance.

In order to limit other risks in its operations, such as natural disasters and outbreaks of animal diseases, the Group has implemented various internal controls and policies to minimize such risks and potential effects thereof on its operations.

The Group regularly renews the registrations of those brand names, related trademarks and other intellectual property rights already registered, which it uses or intends to use, upon expiry of their respective terms. Further, the Group vigilantly defends itself against any infringement on its brands and other proprietary rights. It pursues actions to enjoin third parties from the use of colorable imitations of the Group's brands and/or marked similarities in general appearance or packaging of products, which may constitute trademark infringement and/or unfair competition.

The Group manages credit and liquidity risks through prudent fund management, maintenance of a healthy balance sheet, and compliance with existing debt covenants. Legal and regulatory risks and environmental risks are mitigated by adhering to all applicable laws and regulations.

Socio-cultural risks are addressed by conducting regular in-depth consumer studies and introducing products that fulfill or are attuned to the needs and lifestyles of consumers. The Group also ensures that its products are reliable and of high quality.

Aside from its commitment to upholding the highest standards of governance and ethical behavior, SMFB is also committed to fulfilling its responsibilities in the communities it serves. The Group remains steadfast in creating long-term value for all stakeholders in a socially and environmentally sustainable manner. The Group has various initiatives in support of these principles.

### **Opportunities and Management Approach**

Various opportunities exist for SMFB to increase its direct economic impact. These include the diversification of its product lines, broadening its distribution network, expansion of its portfolio, and increasing funding from investors. As opportunities are implemented with the proper risk management, the increased economic value can be distributed judiciously to all of its stakeholders.

## Procurement Practices

### Proportion of spending on materials from local suppliers

Disclosure	2023	2022	Unit
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	63.65	51.62	%

### Impacts and Risks

As one of the largest producers of food and beverage products in the Philippines, the Group has an extensive network of facilities throughout the country. To help ensure a stable supply of its products, the Group needs a steady and reliable supply of raw materials and services for its businesses to run optimally.

SMFB believes that local procurement added value to the Philippine economy. Purchasing local raw materials and other inputs help create and retain valuable jobs that then support families and strengthen communities. In addition, buying raw materials locally results in decreased transportation requirements, thereby minimizing energy consumption and carbon emissions. In 2023, the Group's spending on local suppliers accounted for 63.65% of its total procurement expenditures, a 23% improvement from the prior year.

Most of the Group's raw materials are procured from third parties, including purchases of some critical raw materials from both within and outside of the Philippines. These raw materials are subject to price volatility caused by a number of factors including changes in global supply and demand, foreign exchange rate fluctuations, shipping and other transport-related factors, weather conditions, quality of crop and yield, trade and tariff policies, and government regulations and controls.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, Employees, and Local Communities

### Management Approach for Impacts and Risks

SMFB recognizes the strategic importance of local sourcing in optimizing and creating efficiencies in its supply chain, reducing risks and ensuring access to critical raw materials, and developing thriving host communities. Hence, to the extent feasible, the Group purchases goods and services from local suppliers, including small and medium enterprises. The Group has a pool of accredited suppliers for its various requirements, which are regularly audited by a quality assurance team.

For example, instead of importing corn for its feeds, the Animal Nutrition and Health (ANH) segment under SMF developed local alternative sources of raw materials such as cassava as a substitute ingredient for corn. The ANH segment initiated a cassava assembler's program which encourages farmers to organize into a business unit and assemble a minimum of 20 hectares of land for cassava production. The ANH segment provides the farmers with an assured market, a guaranteed floor price, technical assistance, access to financing and

planting material advances.

In addition, GSMI engages its local suppliers to help it identify opportunities to expand its businesses and improve the overall quality of its products and services. While GSMI has helped its suppliers' businesses grow, this program has also been beneficial to GSMI by ensuring a secure supply of products and services without compromising quality.

**Opportunities and Management Approach**

The Group will continue to seek opportunities to source input materials locally and further encourage participation of small and medium enterprises to help spur economic activity, especially in the areas in which they operate. To the extent feasible, SMFB will work towards achieving sustainable levels of local procurement moving forward.

**Anti-Corruption**

Training on Anti-corruption Policies and Procedures<sup>1</sup>

Disclosure	2023	2022	Unit
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	%
Percentage of directors and management that have received anti-corruption training <sup>2</sup>	100	100	%
Percentage of employees that have received anti-corruption training <sup>3</sup>	100	100	%

<sup>1</sup> SMFB's Anti-Corruption and Sanctions Compliance Policy as well as Code of Business Conduct and Ethics, which includes anti-corruption policies, apply to all employees and business partners.

<sup>2</sup> SMFB Directors and Management separately attended Corporate Governance Seminars in 2023.

<sup>3</sup> The Group adopted an Anti-Corruption and Sanctions Compliance Policy in 2023. This Policy as well as the Code of Business Conduct and Ethics, which covers anti-corruption policies, have been cascaded to all employees of the organization.



## Incidents of Corruption<sup>1</sup>

Disclosure	2023	2022	Unit
Number of incidents in which directors were removed or dismissed for corruption	0	0	Count
Number of incidents in which employees were dismissed or disciplined for corruption	0	0	Count
Number of incidents where contracts with business partners were terminated due to incidents of corruption	0	0	Count

<sup>1</sup> The Company is not involved in any current proceedings, litigations, claims, or arbitration that would materially affect its financial position or those of its subsidiaries or affiliates.

### Impacts and Risks

SMFB recognizes that corruption, in any form, is always a business risk. It can damage the Group's good reputation built over many years. Allegations of corruption can also destroy the image of its brands and affect market share.

Acknowledging that corruption can occur at any point in its daily operations, SMFB has taken a zero-tolerance approach to bribery and corruption that covers both internal and external stakeholders. Each stakeholder is expected to conduct business legally and ethically and to comply with the Company's Anti-Corruption and Sanctions Compliance Policy as well as its Code of Business Conduct and Ethics.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, Employees, Local Communities, Financial Institutions, and the Media

### Management Approach for Impacts and Risks

As a subsidiary of SMC, SMFB is committed to the value of *Malasakit*, which involves looking after the welfare and interests of others and going beyond what is expected. It is also in the spirit of *Malasakit*, along with the values of fairness, transparency, accountability, and integrity that SMFB has implemented a zero-tolerance for all types of corrupt practices in all aspects of its business operations. The Company's Anti-Corruption and Sanctions Compliance Policy as well as its Code of Business Conduct and Ethics, which includes anti-corruption policies, are cascaded to all directors, management, employees, and business partners.

SMFB is committed to complying with all applicable anti-corruption, anti-money laundering

(“AML”), and trade and economic sanctions (“Sanctions”) laws. To this end, the San Miguel Group, including the Company, adopted in 2023 the Anti-Corruption and Sanctions Compliance Policy, which sets forth its policy of zero-tolerance for bribery, corruption, money-laundering, and Sanctions violations. The Policy applies not only to employees, officers, and directors of the Company, but also extends to third parties, including but not limited to its business partners, agents, consultants, suppliers, and contractors/sub-contractors.

As expressed in its Code of Business Conduct and Ethics, SMFB is committed to:

- Conducting business with integrity and strive for “Profit with Honor” by complying with all applicable, laws, rules, and regulations governing its businesses;
- Developing mutually beneficial relationships with business partners;
- Having a positive impact on the lives of employees, their families, and the communities where it operates; and
- Developing the full potential of its employees and business partners by sharing applicable knowledge, skills, and best practices.

SMFB expects its employees to observe with zeal the above-mentioned values in the performance of their duties, in their relationships with fellow employees and in their dealings with shareholders, customers, suppliers, government and the general public. SMFB further expects its business partners to exhibit these values as a condition to their engagement and at all times as a condition to their continued business relationship with the organization.

Specific to anti-corruption, SMFB abides by the principle of integrity and mental honesty. It conducts business in a manner which:

- Competes ethically, fairly and honestly;
- Ensures the integrity of its records, books, and accounting;
- Builds and strengthens business relationships on the basis of merit, mutual interest, candor, and fair competition;
- Exercises utmost discretion in accepting personal favors or gifts from persons seeking or doing business with the organization and enjoins its employees to avoid circumstances and positions that actually or potentially conflict with its interests or interferes with loyalty and objectivity in business dealings and relationships.

Grievance channels on reporting concerns or questionable activities of employees and business partners without fear of reprisal, intimidation, or harassment are also available.

Moreover, in SMFB’s Charter of the Board of Directors, directors are entrusted to adopt the Code of Business Conduct and Ethics to provide standards for professional and ethical behavior and articulate acceptable and unacceptable conduct and practices in internal and external dealings. Directors shall ensure the proper and efficient implementation of such Code, and monitoring of compliance therewith. For first-time or new directors, SMFB conducts an orientation program which includes the Code of Business Conduct and Ethics.

In addition, SMFB has crafted a Manual on Corporate Governance to institutionalize its principles, policies, programs, and procedures on good corporate governance. The Manual states that the members of the Board of Directors are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders. Directors can be disqualified from their position if they have been found guilty of offenses involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury, or other fraudulent acts or transgressions, among others.

In addition, SMFB has developed policies and guidelines on Securities Dealing, Solicitation or Acceptance of Gifts, Related Party Transactions, Conflicts of Interest, and Whistle-Blowing to

further its stance against corruption.

## Opportunities and Management Approach

The Anti-Corruption and Sanctions Compliance Policy as well as the Code of Business Conduct and Ethics of the Company shall be reviewed from time to time as may be deemed necessary. With that in mind, there is an opportunity to review its policies and practices related to anti-corruption, and evaluate their effectiveness. Moreover, additional trainings and campaigns on anti-corruption could also be explored.

In addition, SMFB continues to maintain anonymous channels for any employee to communicate concerns or complaints without fear of negative consequences.

Further details on the foregoing section can be found on the Company's website, as follows:

Anti-Corruption and Sanctions Compliance Policy

[https://www.smfb.com.ph/files/reports/SMFB\\_Anti-Corruption\\_and\\_Sanctions\\_Policy\\_.pdf](https://www.smfb.com.ph/files/reports/SMFB_Anti-Corruption_and_Sanctions_Policy_.pdf)

Code of Business Conduct and Ethics

[https://www.smfb.com.ph/files/reports/SMFB\\_Code\\_of\\_Business\\_Conduct\\_and\\_Ethics\\_3.pdf](https://www.smfb.com.ph/files/reports/SMFB_Code_of_Business_Conduct_and_Ethics_3.pdf)

Manual on Corporate Governance

<https://www.smfb.com.ph/page/corporate-governance>

Policy on Conflict of Interest

[https://www.smfb.com.ph/files/reports/Conflict\\_of\\_Interest.pdf](https://www.smfb.com.ph/files/reports/Conflict_of_Interest.pdf)

Policy on Securities Dealing

[https://www.smfb.com.ph/files/reports/Policy\\_on\\_Securities\\_Dealing.pdf](https://www.smfb.com.ph/files/reports/Policy_on_Securities_Dealing.pdf)

Policy on Related Party Transactions

[https://www.smfb.com.ph/files/reports/SMFB\\_Related\\_Party\\_Transactions\\_Policy.pdf](https://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf)

Group Policy on Solicitation or Acceptance of Gifts

[https://www.smfb.com.ph/files/reports/Group\\_Policy\\_on\\_Solicitation\\_or\\_Acceptance\\_of\\_Gifts.pdf](https://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_or_Acceptance_of_Gifts.pdf)

Whistle Blowing Policy

[https://www.smfb.com.ph/files/reports/SMFB\\_Amended\\_Whistleblowing\\_Policy.pdf](https://www.smfb.com.ph/files/reports/SMFB_Amended_Whistleblowing_Policy.pdf)

## ENVIRONMENT

### Resource Management

#### Energy Consumption Within the Organization

Disclosure	2023	2022	Unit
Energy consumption (renewable sources)	587,497	543,113	Gigajoules (GJ)
Energy consumption (non-renewable)	3,919,294	3,434,694	GJ
Energy consumption (electricity, heating, cooling, steam purchased)	1,724,804	1,604,514	GJ
Self-generated energy which are not consumed	0	0	GJ
Sold energy (electricity, heating, cooling, steam)	0	0	GJ
Net energy consumption	6,231,594	5,582,321	GJ

## Reduction of Energy Consumption<sup>1</sup>

Disclosure	2023	2022	Unit
Fuel reduction	61,450	37,749	GJ
Electricity reduction	19,313	11,501	GJ
Energy reduction (total)	80,763	49,250	GJ

<sup>1</sup> Accounts for projects newly-implemented within the reporting year

### Impacts and Risks

Energy is a fundamental input of the Group's operations. The demand for energy consequentially increases as each of the businesses grows.

SMFB utilizes a mix of non-renewable energy sources where electricity and fuel are the main energy sources that run the various SMFB facilities throughout the country, with the exception of the distillery facility of Distileria Bago, Inc. (DBI).

For most facilities of SMFB, electricity from the grid and fossil fuels maintains its day-to-day operations, while diesel provides a layer of security from potential power interruptions and is used in logistics equipment to transport products from the plants to its various destinations. Aside from these energy sources, the distillery of DBI, through its own wastewater treatment plant, produces and harvests biogas, which is then used to displace, and significantly reduce its reliance on, fossil-derived liquid fuels.

Although the Philippines is gradually increasing its clean energy capacity, coal is still the prime power generation source for electricity in the country at the moment, of which SMFB relies on by connecting to the distribution utilities. As a result, the Group indirectly generates greenhouse gas (GHG) emissions. Additionally, as a result of commercial and industrial activities, further emission of GHG in manufacturing operations and business expansion are expected and anticipated. However, since the Group has systems capable of harvesting biogas to run segments of its operations, a portion of the emissions that would have been generated through the conventional energy source is avoided.

Apart from its effect on the environment, the Group recognizes that high energy costs result in higher costs to produce its products, which then reduce margins, which would in turn affect its fiscal health and competitive advantage.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Employees, and Local Communities

## Management Approach for Impacts and Risks

As a subsidiary of SMC, SMFB has adopted SMC's established Environment Management Systems to address the varying impacts on the Group's offices and production facilities. As a result, the Group has made efforts in identifying and implementing energy-savings initiatives.

For example, the Group replaces compact fluorescent and incandescent lights to light-emitting diode (LED) light bulbs, which are more environmentally friendly. LED light bulbs are energy-efficient and long-lasting and can cut energy consumption by over 80% as compared to conventional light bulbs. These can also last more than 25% longer.

The Group also invests in machinery and equipment that not only help ensure product quality, but are also more energy and production efficient. For example, a biogas dryer was installed in GSMI's distillery, which enhanced biogas quality. Further, to maximize production output, DBI innovated the operations of its fermentation facility to adapt to the changing quality of molasses, consequently, increasing alcohol yield per metric ton of molasses.

Other initiatives have been implemented by the Group to ensure that its production facilities run efficiently to reduce the need for energy. For example, SMF's feeds facilities use rice husks as fuel for its boilers. Biogas from animal manure in farms is also used as replacement for heat exchangers and internal combustion.

Periodic maintenance of equipment as well as regular energy inspection and audits are conducted at the Group's facilities by a dedicated and highly-trained crew.

With regard to the transport of its products, the Group recognizes the environmental impacts of transportation and continues to actively implement improvements to reduce fuel usage and costs in the long run. Examples include improvements on distribution and supply chain configurations—from inbound logistics (from delivery of raw materials) to outbound logistics (to delivery of finished goods to the end consumer).

Over the years, the Group has built facilities all over the Philippines that not only ensure that its products get to the consumers fresh and in the shortest amount of time, but also help reduce its carbon footprint. For example, building feed mills in different parts of the country helps ease the transport of raw materials and finished goods given their heavy nature. Likewise, the building of a brewery in Northern Mindanao not only reduces costs to transport the products from Luzon and Visayas regions, but also consequentially results in the reduction of emissions.

For office-based employees, the Group encourages reduction in energy consumption by switching off lights and electronics when not in use. Solar energy panels are also installed in some facilities to add renewable sources to the energy consumption mix. As part of the SMC Group, all facilities of SMFB have clear targets in the form of key performance indicators for the reduction of electricity. Air emissions, effluents and solid waste volumes are also being monitored and managed.

## Opportunities and Management Approach

The Group continues to monitor and analyze its energy consumption to identify opportunities for innovation and further improve energy efficiency. This includes investment in more energy efficient machinery and equipment and shifting to new processes when necessary. There are also studies on the feasibility of co-locating business segments, as well as continued review of

nearest farm-to-plant routes. There are also intentions to invest in more renewable energy sources, such as solar and wind, to further decrease reliance on non-renewable energy.

Water Consumption Within the Organization

Disclosure	2023	2022 <sup>1</sup>	Units
Water withdrawal	16,297	14,575	Milliliters (ML)
Surface water	496	25	ML
Groundwater	13,277	12,031	ML
Seawater	0	0	ML
Rainwater	5	5	ML
Produced water	255	206	ML
Third-party water	2,264	2,308	ML
Water discharged	10,750	10,152	ML
Water consumption	5,549	4,424	ML
Water recycled and reused	885	565	ML
Percentage water recycled and reused	5.43	3.88	%

<sup>1</sup> Excludes water passing through Angat Hydro Power Plant

## Impacts and Risks

For SMFB, water is critical to the Group's product portfolio—from something where water is inherent in the production process to its beverages where water is a key ingredient. For the Group, sustainability requires protecting its existing water supply, as well as ensuring that water is available in the future as this may impact pricing and product availability.

Water is also required by the Group for domestic use, for the maintenance of its facilities, machinery and equipment. A meaningful portion of water used is discharged back to the environment after the necessary treatment.

Key risks with regard to water include its availability in sufficient quantities and increases in water costs in the future. The Group sources its water requirements from deep wells and water utility service providers. Restrictions on the use of deep well water could disrupt the Group's operations. Price increases for the use of deep well water or by water utility service providers could also adversely affect operating costs and reduce the profitability of the Group's businesses.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Suppliers and Vendors, Employees, Local Communities

## Management Approach for Impacts and Risks

SMFB is aligned with SMC's commitments to conserve water in line with SMC's *Water for All* initiative. Launched in 2017, the goal is to reduce utility and domestic water use across the entire SMC Group by 50% by 2025 against a 2016 baseline.

For many years, the Group has embraced sustainability in its processes to conserve or reuse water and lower overall consumption.

A relatively simple solution employed that has proven valuable is the monitoring of water use. The Group constantly updates its water meters and installs sub-meters where needed. Fixing and addressing leaks have also resulted in elimination of water wastage across SMFB's operations.

Reusing and recycling more water is also a key initiative of SMFB. To the extent possible, its businesses optimize wastewater treatment facilities to further lessen their water footprint. Business units constantly try to make greater use of treated greywater for non-essential purposes. For example, treated wastewater effluents from SMB are reused for utilities and gardening within its facilities.

The Group also helps educate its business partners and the communities where it operates regarding water stewardship.



## Opportunities and Management Approach

Recognizing that water is a finite resource, SMFB is committed to ensuring sustainability in two key areas critical to its business: the environment and the supply chain.

The Group recognizes that there are still opportunities for new initiatives to make real changes in conserving and recycling water in its facilities and local communities where its businesses operate.

Since water-related initiatives are part of the larger SMC Group *Water for All* program, water use at production facilities of the Group is regularly monitored. Employees are also encouraged to strengthen efforts to reduce water consumption in the workplace and in their personal activities.

Moving forward, SMFB will continue to implement projects to reduce water consumption and explore water resources to be used other than groundwater. To align with SMC, deployment of rainwater harvesting will also be expanded and with bigger capacities. Further, regular analysis of water consumption and quality trends will continue in an effort to seek other opportunities for recycling and reuse.

### Materials Used by the Organization

Disclosure	2023	2022	Units
<b>Materials by weight or volume</b>	<b>5,214,838</b>	<b>5,170,527</b>	<b>Metric Tons (MT)</b>
Renewable	4,725,359	4,852,999	MT
Non-renewable	489,479	317,528	MT
Percentage of renewable materials	90.61	93.86	%
Percentage of recycled input materials used to manufacture	3.32	1.73	%
Recycled	173,116	89,512	MT

## Impacts and Risks

SMFB recognizes that using the Group's raw materials efficiently not only helps protect the environment, but also affects the economic aspects of its business. Since raw materials account for a significant portion of the Group's costs, it is important that these raw materials are used responsibly.

The Group purchases both imported and locally-sourced raw materials. For SMB, for example, malted barley and hops are imported. For SMF, raw materials such as breeder stocks, soybean meal, and wheat are purchased from foreign suppliers, while items such as corn and breeding hogs are sourced locally.

The Group recognizes that it may face disruptions in the supply of major raw materials. Movements in the global supply of raw materials may also affect costs and prices. Other factors such as weather conditions, outbreaks of diseases, pandemics, geopolitical trade developments, imposition of more stringent laws and regulations are also identified as risks.

Packaging materials are purchased from third parties as well, which may likewise be affected by disruptions in price and availability. Inefficient use and non-recycling of packaging materials lead to wastage and pose risks to the environment.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Suppliers and Vendors, Employees, and Local Communities

## Management Approach to Impacts and Risks

In line with the practices of its parent SMC, SMFB manages the Group's consumption of raw materials through efficient processing systems and inventory management. The Group's operations are designed to be efficient—fully utilizing input materials with minimal wastage.

Each business of SMFB is equipped with technology and processes that are constantly updated and managed by highly competent employees. This is complemented by investments in research and development to pursue innovations such as evaluation of new raw materials and more efficient processes, among others.

Since SMFB is highly integrated, the businesses capitalize on recycling its waste by-products as material inputs to produce other products, including:

- Cullets or broken bottles from bottling plants as raw material for San Miguel Yamamura Packaging Corporation, an SMC subsidiary;
- Poultry processing wastes such as feathers, offals, and blood are rendered and used as raw material for feeds manufacturing;
- Brewery wastes like spent yeast and brewers spent grains as raw material for feeds manufacturing; and
- Flour mill wastes like wheat bran pollard as raw material for feeds manufacturing.

The Group recognizes that the production of packaging materials, in whatever form, uses resources like energy, water, chemicals, and petroleum. The manufacture of such packaging materials often generates air emissions, wastewater, and other by-products. As part of its commitment to the environment, the Group has helped reduce packaging wastes by reusing certain materials such as glass bottles, pallets, and plastic crates. For example, SMB has long

maintained its returnable glass bottle (RGB) system and GSMI has been increasing the footprint of its bottle retrieval network. For SMB, given its nationwide distribution network and the nature of its business, the RGBs naturally flow back into the system and are reused for approximately 5 to 10 years, depending on the condition of the bottles. GSMI also uses second-hand bottles that are sourced through its bottle retrieval program.

Business procurement groups of each division of SMFB maintain pools of accredited suppliers for local and imported materials, which are regularly audited by their respective quality assurance teams. In line with its sustainability efforts, SMFB continues to broaden the Group's base of suppliers and materials through second supplier programs, multi-continent sourcing, evaluation of alternative materials, as well as undertaking process optimization initiatives, e.g., SMF has turned cassava as a substitute for corn; SMB has broadened its base of alternative materials as carbohydrate source for the brewing process; and GSMI has local and imported sources of alcohol.

**Opportunities and Management Approach**

The Group seeks to continuously procure and produce packaging materials responsibly. Supplier collaborations are in the pipeline to explore opportunities to minimize any adverse environmental and social impacts. In addition, SMFB will closely coordinate within the wider SMC Group for utilization of by-products, as well as to participate in studies on more environment-friendly packaging materials.

Ecosystems and Biodiversity

Disclosure	2023	2022	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	2	1	Count
Habitats protected or restored	1,717	12	Hectares
International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations	3	2	Species type

## Impacts and Risks

Two facilities within SMFB's list of production sites were identified as biodiversity sites by the Department of Environment and Natural Resources (DENR). GSMI's subsidiary, DBI, is an alcohol distillery located along the coastline of Guimaras. GSMI recognizes that wastewater effluents and other emissions of the distillery, if not properly managed, may cause deterioration of the water quality within the Guimaras Strait and threaten the marine biodiversity within the area.

The other facility added in 2023, which can be attributed to the significant increase in the hectareage of protected areas near or adjacent to the Company's operational sites is the B-Meg feed mill plant in Impasug-ong, Bukidnon. The facility is two kilometers from the Center for Ecological Development and Recreation (CEDAR) in Barangay Impalutao. Initially a reforestation site, CEDAR has evolved into an ecological park, covering approximately 1,703 hectares and hosting four major falls namely: Gantungan Falls, Natigbasan Falls, Dila Falls, and Makabayot Falls. Declared a protected area for its high indirect biodiversity value as an eco-tourism site, CEDAR is jointly managed by the local government unit (LGU) of Impasug-ong and the DENR.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Employees, and Local Communities

## Management Approach to Impacts and Risks

In general, the Group ensures that effluents adhere to the standards set by the DENR General Effluent Standards under Department Administrative Order No. 2016-08 before these are discharged to a body of water. Doing so reduces the threat to the marine life in the area.

Along the shore of the Guimaras Strait and adjacent to the distillery, in particular, GSMI secured a mangrove reforestation area as its contribution to the preservation of the water quality and marine biodiversity in the Strait. The 12-hectare area has a 96% survival rate for the mangroves planted. Benefits from the initiative include reduced risk of flooding and soil erosion and a reduction in carbon emissions, thereby minimizing environment-related risks to the Strait. Regular tree planting within the vicinity is conducted every year.

GSMI also works with partner cooperatives on the island of Guimaras in organizing regular coastal clean-ups and in monitoring the shoreline and mangroves.

The protected area near the B-Meg feed mill in Bukidnon, on the other hand, is jointly managed by the LGU of Impasug-ong and the DENR.

## Opportunities and Management Approach

Exploration of other conservation initiatives is in progress. GSMI is also in constant communication with the LGU of Guimaras and surrounding communities for other collaborative efforts. GSMI has a long-standing commitment of being a good and responsible neighbor in the Guimaras Strait. This is likewise the plan for the new facility in Bukidnon.

## Environmental Impact

### Air Emissions

#### GHG

Disclosure	2023	2022	Unit
Direct (Scope 1) GHG Emissions	308,762	263,489	Tonnes carbon dioxide equivalent (CO <sub>2</sub> e)
Energy indirect (Scope 2) GHG Emissions	345,244	320,953	Tonnes CO <sub>2</sub> e
Emissions of ozone-depleting substances	0	0	Tonnes CO <sub>2</sub> e

### Impacts and Risks

The Group recognizes that GHG emissions not only pose serious threats to human health, but can also affect climate change. Due to climate change, extreme weather conditions have been experienced in different parts of the globe and have affected food production and disruptions in the supply chain.

Electricity and diesel consumption are the primary sources of the Group's GHG emissions. Electricity consumption covers operations in offices, commissaries, manufacturing plants, warehouses, and other facilities. Diesel consumption is from the use of generators and company-owned vehicles.

The Group also recognizes that its agriculture-related businesses contribute to such GHG emissions. However, data regarding these is not yet available to determine the extent of its contribution.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Suppliers and Vendors, Employees, and Local Communities

### Management Approach to Impacts and Risks

According to a document prepared by the USAID under the Climate Change Adaptation, Thought Leadership and Assessments on climate risk issues, the Philippines is highly vulnerable to the impacts of climate change such as rising sea levels, frequency of extreme weather events, record temperatures, and extreme rainfall. This is a result of the country's high

exposure to natural hazards (landslides, floods, droughts, etc.), dependence on climate-sensitive natural resources, and vast coastlines that are densely populated and in close proximity to major cities.

With this in mind, SMFB seeks to uphold its responsibility as a good corporate citizen by managing GHG emissions. A good example is DBI's reduction of GHG emissions through lesser consumption of fossil-derived liquid fuel. While combustion of biogas and liquid fuels still have emissions, DBI's generation of biogas greatly reduces its use of petroleum fuels. DBI is also able to reduce its emissions through capturing biogenic carbon dioxide (CO<sub>2</sub>) gas that is a by-product of fermentation in alcohol-making. This gas is further processed into liquid CO<sub>2</sub> and utilized by beverage industries producing carbonated drinks.

In addition, the Group's bottling plants have also introduced various improvements in manufacturing lines, leading to better operational efficiencies which translate into the reduction in energy consumption and lower GHG emissions.

Other efforts of the Group include installing solar panels in several facilities and utilizing biogas in some operations, thereby reducing GHG emissions from electricity and use of non-renewable resources.

### **Opportunities and Management Approach**

The Group continues to explore technologies that can help improve energy efficiency in various aspects of its operations to help reduce GHG emissions.

For example, the distillery of the Spirit's business is able to reduce its GHG emissions through lesser consumption of fossil-derived liquid fuel. While combustion of biogas and liquid fuels still has emissions, the distillery's generation of biogas greatly lessens its use of petroleum fuels. It is also able to reduce its emissions through capturing biogenic carbon dioxide (CO<sub>2</sub>) gas that is a by-product of fermentation in alcohol-making. This gas is further processed into liquid CO<sub>2</sub> that is utilized by beverage industries producing carbonated drinks.

In addition, bottling plants have also introduced various improvements in manufacturing lines, leading to better operational efficiencies which translate into the reduction in energy consumption and lower GHG emissions. In some facilities, boilers are fired using diesel fuel which results in emissions with very low sulfur content, thus having lower GHG potential. For other plants, fuel blending facilities and storage tanks have been installed to accommodate the blending of low-sulfur fuel oil (LSFO).

The Group, likewise, encourages its employees to make smart energy decisions in their daily lives. For example, the Group's participation in SMC's program in the fourth quarter of 2020, which substantially subsidizes the cost of bicycles to provide employees with an alternative mode of transportation will eventually help reduce GHG emissions that would have otherwise resulted from other modes of transportation powered by fuel.

## Air Pollutants

Disclosure	2023	2022	Unit
NO <sub>x</sub>	223	118	MT
SO <sub>x</sub>	870	673	MT
Persistent Organic Pollutants (POPs)	0	0	MT
Volatile Organic Compounds (VOCs)	0	0	MT
Hazardous Air Pollutants (HAPs)	0	0	MT
Particulate Matter (PM)	105	73	MT
Carbon Monoxide (CO)	997	104	MT

The topic on air pollution is relevant due to the Group's use of generators and boilers. For boilers, the Group installed catalytic converters to reduce toxic gases and pollutants in the exhaust gas. Generator sets, on the other hand, are on stand-by in case of power interruptions. The Group's policies in place for the management of air emissions and the use of boilers and generator sets are compliant with the standards prescribed by the DENR.

The increase in CO emissions can be attributed to the expansion of SMF, which is in line with SMFB's commitment to contributing to the country's goal of food security. Nonetheless, SMFB ensures that it more than adequately manages its emissions by continuously investing in energy-efficient and environmentally sound technologies and adopting international best practices to reduce and/or avoid them, as much as possible. This commitment is part of the San Miguel Group's effort to preserve air quality, as outlined in SMFB's sustainability framework.

### Impacts and Risks

Air pollutants, such as NO<sub>x</sub> and SO<sub>x</sub> emissions originate as products of combustion that accompany power generation. These emissions have been proven to contribute to the impaired

quality of the environment. In addition, these substances are known to cause respiratory effects, as well as acidic deposition that affect vegetation, soil, and surface waters.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Suppliers and Vendors, Employees, and Local Communities

**Management Approach to Impacts and Risks**

The Group manages air emissions by closely monitoring by-product levels in accordance with Environment Management Systems in place in its various facilities, as well as compliance with environmental standards set by the DENR and the World Bank.

All air pollution source and control equipment at the Group’s manufacturing facilities and farms use cleaner fuel to meet the emission standard. Other initiatives have also been implemented to improve the quality of air emissions. For example, GSMI conducts regular maintenance of boilers and generators and cleaning of smokestacks, as well as de-sooting and hydro-testing procedures of boilers.

**Opportunities and Management Approach**

SMFB commits to being a good corporate citizen by continuously studying latest developments in air emissions management and technologies and integrating them into the Group’s operations when feasible.

**Solid and Hazardous Wastes**

Solid Waste

Disclosure	2023	2022	Unit
<b>Total solid waste generated</b>	<b>257,224</b>	<b>256,402</b>	<b>MT</b>
Reused	3,550	519	MT
Recycled	211,080	213,311	MT
Other recovery operations	12,593	21,405	MT
Incineration (with energy recovery)	0.50	0.25	MT



Incineration (without energy recovery)	0	0	MT
Landfilling	14,225	15,765	MT
Other disposal operations	15,775	5,402	MT

### Impacts and Risks

The Group's production facilities, offices, warehouses, and other sites generate solid wastes that, if not managed properly, may result in negative environmental and cost impacts. Likewise, as production increases, the amount of solid waste generated will increase further if production is inefficient.

Inefficient management of solid wastes poses health and environmental risks. Improper solid waste management could contribute to land and water pollution, while those transported to landfills could cause land degradation, methane gas production, and leaching of toxic substances, among others.

Solid waste may also affect the sanitation at the relevant site, which may, in turn affect the health of its employees and the Group's ability to manufacture quality products. All these may lead to regulatory penalties, health code violations, and other negative ramifications that may affect the Group's reputation.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Employees, and Local Communities

### Management Approach to Impacts and Risks

As a subsidiary of SMC, SMFB has the benefit of adopting and implementing SMC's comprehensive solid waste management program to protect public health and the environment. SMFB is fully compliant with Republic Act No. 9003, otherwise known as the "Ecological Solid Waste Management Act of 2000" and all applicable statutes that cover the various aspects of the Group's operations.

Initiatives to reduce solid wastes include:

- Collection of production scraps for recycling
- Utilization of animal waste for biomass energy
- Recovery of spent grain to serve as additives in animal feeds
- Proper waste segregation
- Ban of single use plastics
- Return of damaged or substandard materials to suppliers

- Selling of scrap materials to third parties
- Recycling of plastics
- Recycling and reusing paper or printing only as necessary

In addition, SMFB strives to increase its value to customers through developing products and initiatives that integrate the sustainability mindset. Since SMFB is highly integrated, the businesses capitalize on recycling its waste by-products as material inputs to produce other products, including:

- Cullets or broken bottles from bottling plants as raw material for San Miguel Yamamura Packaging Corporation, an SMC subsidiary;
- Poultry processing wastes such as feathers, offals, and blood are rendered and used as raw material for feeds manufacturing;
- Brewery wastes like spent yeast and brewers spent grains as raw material for feeds manufacturing; and
- Flour mill wastes like wheat bran pollard as raw material for feeds manufacturing.

SMFB also helps reduce food waste by redirecting excess food supply to various food banks and feeding programs. Likewise, excess processed meats and other products are donated to SMC’s adopted communities such as in Tondo, Manila.

**Opportunities and Management Approach**

As part of its ongoing commitment to environmental stewardship, SMFB continues to explore other opportunities that will help make the Group’s processes more efficient—from the manufacturing to the delivery of its products. The Group continues to evaluate new technologies that will reduce solid wastes in its facilities and send less of it to landfills.

Hazardous Waste

Disclosure	2023	2022	Units
Total weight of hazardous waste generated	1,559	614	MT
Total weight of hazardous waste transported	1,203	337	MT

**Impacts and Risks**

Hazardous waste storage and disposal are highly regulated under Republic Act No. 6969, otherwise known as the “Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990,” which requires registration and quarterly reporting of generated/disposed hazardous wastes to the Environmental Management Bureau (EMB) of the DENR.

The Group's facilities generate hazardous wastes including those incidental to food and beverage companies. Examples are the following:

- Spent mercury contained in items such as fluorescent lighting
- Ink cartridges
- Batteries
- Oils used in food production
- Kitchen grease
- Oils used in machinery and equipment
- Contaminated items such as rags or pads
- Lead contained in paints

Improper handling of such wastes may result in exposure to hazardous substances that may affect the health and safety of employees and/or the public, serious effects on the environment (such as soil, surface water, and groundwater pollution), and costs that may result in penalties for violations of environmental policies and health codes.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Employees, and Local Communities

### **Management Approach to Impacts and Risks**

Disposal of hazardous wastes are done through DENR-accredited transporters and treaters and are accompanied with manifests and Certificates of Treatment, which are submitted to the EMB on a quarterly basis. SMFB complies with the requirements under Republic Act No. 6969, particularly on storage, labelling, disposal and reporting of such wastes.

Since hazardous wastes require specific treatment for disposal, these are segregated from non-hazardous wastes. The Group follows strict methods for storage and disposal of hazardous wastes, which include the following:

- Hazardous wastes are stored in sealed containers and housed in storage facilities within each of the Group's operations. These facilities are within safe distance from regular business activities.
- There are specific employees trained in the storage and disposal of hazardous materials, including periodic monitoring of storage facilities to ensure that there are no spillages or damages to waste containers. The employees are also trained to neutralize and contain hazardous materials in case of emergencies.

In compliance with Republic Act No. 6969 and its implementing rules and regulations, hazardous wastes are properly handled and treated by the DENR-certified transporters and treaters tasked to do the following:

- Conduct laboratory analyses on the hazardous wastes collected
- Prepare hazardous waste manifest forms
- Process, treat, recycle and dispose hazardous wastes within 30 days from the time of hauling
- Issue Certificates of Treatment/Recycle/Disposal after treatment/recycling/disposal of hazardous wastes

## Opportunities and Management Approach

The Group aims to reduce the quantity of hazardous waste generated by its businesses, not only to help protect the environment, but also to reduce risks. Initiatives include adopting innovations and technologies to reduce usage or further improve handling, treatment, and disposal of hazardous wastes.

### Effluents

Disclosure	2023	2022	Unit
Total volume of water discharges	10,748	10,152	ML
Percent of water recycled	5.43	3.88	%

## Impacts and Risks

The impacts of effluents can be far-reaching. If not properly treated, effluents can diminish the quality of bodies of water where they are discharged. Contaminated water can lead to the destruction of biodiversity in the area and can, eventually, be a hazard to human health.

The Group or its concerned subsidiaries may face regulatory risks for any non-compliance with DENR effluent standards. Penalties can range from fines to suspension of operations. There is also the possibility of reputational risks.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Employees, and Local Communities

## Management Approach to Impacts and Risks

In compliance with regulations, each facility of SMFB operates sewage treatment plants for wastewater from domestic sources and wastewater treatment plants for wastewater from production activities. Compliance with effluent quality in accordance with the General Effluent Standards of 2016 is ensured through sampling and analysis to monitor wastewater treatment performance. Pollution Control Officers are provided updates and training on industry best practices.

## Opportunities and Management Approach

SMFB continues to explore technologies that will improve the Group's water treatment processes, increase the percentage of water recycled, and eventually minimize effluents. This is aligned with SMC's *Water for All* initiative, which aims to reduce water consumption.

### Environmental Compliance

#### Non-compliance with Environmental Laws and Regulations

Disclosure	2023	2022	Unit
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	47,159	264,500	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	2	5	Count
No. of cases resolved through dispute resolution mechanism	0	0	Count

## Impacts and Risks

The Group remains compliant in all material respects with environmental laws applicable to its operations. Risks include increased capital expenditures, operating expenses, and potential delays in facility development and operations in the event that new or more stringent regulations are imposed. Regulatory risk is also relevant as non-compliance may result in penalties and sanctions that may affect the Group's finances or reputation. Finally, there is also a risk of environmental damage that may affect the Group's operations and its surrounding communities.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Employees, and Local Communities

## Management Approach to Impacts and Risks

SMFB ensures that the Group's operations throughout the Philippines are in compliance with applicable environmental laws and regulations such as, but not limited to, the following:

- Republic Act No. 9275 (Philippine Clean Water Act of 2004)
- Presidential Decree No. 1067 (The Water Code of the Philippines)
- Republic Act No. 8749 (Philippine Clean Air Act of 1999)
- Republic Act No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990)
- Republic Act No. 9003 (Ecological Solid Waste Management Act of 2000)
- Republic Act No. 11898 (Extended Producer Responsibility Act of 2022)
- Republic Act No. 11285 (Energy Efficiency and Conservation Act of 2018)
- Presidential Decree No. 1586 (Establishing an Environmental Impact Statement System, including other environmental management related measures and for other purposes)
- Applicable administrative orders of the DENR

In 2023, SMFB adopted an Environment Policy that is aligned with SMC in its commitment to do what is right and to lead in nation-building by creating opportunities so that all can share in the rewards of sustainable development and prosperity. In this regard, the Company envisions a world of good, where its businesses foster a sustainable future that is good for the planet, good for people, and good for progress.

As expressly stated in the Environment Policy, SMFB, as a responsible steward of the environment, is committed to:

- Ensuring that its environmental performance complies with applicable laws and regulations;
- Supporting internationally recognized standards and voluntary initiatives designed to protect the environment;
- Adopting environmentally sound technologies and acceptable best practices in its operations to help reduce its environment footprint;
- Monitoring and regularly verifying its efficient use of resources to minimize greenhouse gas emissions and waste generation, optimize energy and water consumption, recover value from by-products, and incorporate these strategies when it builds, constructs, and renovates facilities;
- Using recycled materials where appropriate and promoting the transformation of waste of one business unit into a resource for another;
- Advocating environmental sustainability in day-to-day operations and conducting training to raise the commitment of its employees, suppliers, business partners, and the community at large; and
- Strengthening environmental sustainability through strict adherence to its environmental management system.

There are also various management committees, as well as Pollution Control Officers, that oversee the implementation and monitoring of all relevant regulations in every aspect of the Group's operations.

## Opportunities and Management Approach

The primary operating divisions of SMFB work with their respective Internal Audit Groups and monitoring teams to ensure that all business activities are compliant with environmental regulations. The Group is looking at further streamlining its processes. It seeks to work with third-parties and other organizations to determine best practices in the industry.

The Environment Policy can be access through the Company's website at:

[https://www.smfb.com.ph/files/reports/SMFB\\_Environment\\_Policy.pdf](https://www.smfb.com.ph/files/reports/SMFB_Environment_Policy.pdf)

## SOCIAL

### Employee Management

#### Employee Hiring and Benefits

##### *Employee Data*

Disclosure	2023	2022	Units
Total number of employees	9,780	9,460	Count
a. Number of female employees	2,494	2,512	Count
b. Number of male employees	6,933	6,948	Count
Attrition rate	9.6%	9.7%	Rate

##### *Employee Benefits*

The Group provides its employees with all the benefits mandated by law and does not discriminate based on gender.

List of Benefits	Y/N	% of female employees who availed in 2023	% of male employees who availed in 2023
SSS	Y	38%	45%
PhilHealth	Y	27%	24%
Pag-ibig	Y	34%	37%
Parental leaves	Y	5%	4%



Vacation leaves	Y	82%	78%
Sick leaves	Y	49%	45%
Medical benefits (aside from PhilHealth)	Y	97%	95%
Housing assistance (aside from Pag-ibig)	Y	1%	3%
Retirement fund (aside from SSS)	Y	5%	2%
Further education support	Y	0.04%	0%
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible working hours	N	N/A	N/A

#### Diversity and Equal Opportunity

Disclosure	2023	2022	Unit
% of female workers in the workforce	27	27	%
% of male workers in the workforce	73	73	%

Number of employees from indigenous communities and/or vulnerable sector <sup>1</sup>	Not being tracked at the moment	headcount
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<sup>1</sup> Systems will be put in place for data gathering in subsequent reporting cycles.

## Impacts and Risks

SMFB is an equal opportunity employer that promotes employees based on merit, achievements and responsibilities for a work position. Employees receive benefits and a healthy work environment where they could meaningfully earn a living and advance in their careers. These create a positive impact to employees that also extends to their families. Despite offering industry-leading employee benefits, the Group still faces attrition risk and costs associated with attrition.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, and Employees

## Management Approach to Impacts and Risks

On Employee Hiring and Benefits, Diversity and Equal Opportunity

As enshrined in its Code of Business Conduct and Ethics, it is SMFB's core value to develop and motivate its employees to become best-in-class through cognitive and affective programs, competitive compensation and benefits, and diverse career growth opportunities. SMFB is also firmly committed to have a positive impact on the lives of its employees and their families while acknowledging meritocracy as a guiding principle, where it recognizes individuals on the basis of performance and results. Moreover, discrimination for reasons of race, age, gender, gender orientation, ethnicity, disability, religion, political affiliation, union membership or marital status is not condoned.

Women in the organization are given equal opportunities to assume leadership roles as career development and progression are based on performance and manifested capacity and capability.

Upon regularization, employees are entitled to various types of insurances and medical benefits. Other benefits such as wedding benefit and burial assistance for the employee and their dependents are also granted to employees. Employees may opt to convert leave credits to a monetary equivalent as a benefit. To a certain extent, the Group works hand-in-hand with third party service providers to facilitate employee availment of benefits.

Further stipulated in SMFB's Code of Business Conduct and Ethics is that the Group shall comply with applicable wage laws, including minimum wage, overtime hours, and mandated benefits.

In 2023, SMFB adopted the San Miguel Group's Diversity, Equity and Inclusion Policy by expressly and consciously advocating an inclusive organization representative of all sectors of the society. The objective of the Policy is to promote an equal and inclusive workplace, respect

diversity, and accept differences in order to attract and retain skilled employees, enhance productivity, and foster loyalty and unity within the organization.

In the Policy relating to Health, Safety, and Welfare, SMFB and majority of its subsidiaries have funded, non-contributory, defined benefit retirement plans covering all of their permanent employees (collectively, the “Retirement Plans”). These Retirement Plans pay out benefits based on final pay. 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 relevant annual contribution of the Group to the Retirement Plans consists of payments covering the current service cost and amortization of unfunded past service liability.

Aside from the statutory benefits, the Group extends non-monetary benefits and perks that allow employees to balance family and work responsibilities. For example, in the summer, the employees’ dependents are invited to summer workshops for singing, dancing, acting, and sports programs organized by SMC.

The Group continually benchmarks with peers in the industry to ensure that its compensation and benefits package remains competitive.

**Opportunities and Management Approach**

The Group is continuously updated on pertinent labor laws and regulations. As the Group aims to develop and motivate its employees to become best-in-class, their benefits and their overall work experience are prioritized by the Group as well. Appropriate strategies and activities could also be drafted in support of new opportunities. The Company continually benchmarks with peers in the industry to ensure that its compensation and benefits package remains competitive.

**Employee Training and Development**

Disclosure	2023	2022	Unit
Total training hours provided to employees	218,815	180,956	hours
a. Female employees	65,832	56,462	hours
c. Male employees	152,983	124,493	hours
Average training hours provided to employees	22.4	19.1	hours

a. Female employees	25.4	22.5	hours/employee
b. Male employees	21.3	17.9	hours/employee

**Impacts and Risks**

SMFB believes that employee training and development are essential to organizational excellence. It has made a significant commitment to provides avenues for employees to realize their full potential. Professional growth 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 their productivity and efficiency in technical aspects and soft skills are improved.

If the employees do not undergo continuous training, they miss out on opportunities to learn new methods and technologies and their skills could stagnate. This could lead to a plateau or even a decline in productivity.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, and Employees

**Management Approach to Impacts and Risks**

It is SMFB’s core value to develop and motivate its employees to become best-in-class through cognitive and affective programs, competitive compensation and benefits, and diverse career growth opportunities. SMFB is also committed to develop the full potential of its employees by sharing applicable knowledge, skills, and best practices that will help them meet and exceed expectations.

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 brew masters. The San Miguel Foods University, on the other hand, 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 business.

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 via fast-track learning through advanced programs, deliberate movements, coaching and mentoring, and participation in centerpiece projects.

The learning landscape of the Group 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. More recently, however, the Group resumed full face-to-face programs, subject to certain protocols.

As part of the SMC Group, SMFB continues to promote employees' health, well-being, and personal development. There are programs on Personal Effectiveness, Code of Champions, Work-Life Harmony, and *Malasakit* Learning Sessions. Alternative topics include Financial Wellness, Fostering Creativity at Work, and Effective Communication & Presentation Skills, among others. In the end, the Group invested an average of 22.4 training hours per employee for the full year.

**Opportunities and Management Approach**

The Group continues to place considerable focus on the development and advancement of its employees. It constantly seeks to introduce new programs for training, skills development, and employees' self-improvement, some of which were adapted to virtual or digital formats for a broader audience; i.e., to include participants in locations outside of Metro Manila.

In addition, there is an opportunity to benchmark with industry peers on people development strategies; and how to further maximize the use of technology for learning and development of employees.

Labor-Management Relations

Disclosure	2023	2022	Units
Percentage of employees covered by Collective Bargaining Agreements (CBAs)	19	6	%
Active CBAs	17	9	Count

**Impacts and Risks**

The Group complies with all applicable labor laws and regulations, including minimum wage requirements, mandatory health benefits, and overtime compensation, among others. In doing so, the Group becomes a channel of fair and adequate livelihood for its rank-and-file employees which comprise the labor unions. A harmonious labor-management relationship results to the Group's undisrupted operations and continuous productivity.

However, the Group recognizes that there can be no assurance that it will not experience labor disputes in the future. This continues to be a risk that SMFB continually addresses. Unresolved labor disputes could also result in disruptions of normal business operations that could affect both employee productivity and the Group's financial condition and reputation.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, and Employees

### **Management Approach to Impacts and Risks**

To maintain the positive impact of fair and adequate livelihood and reduce the risks of operational disruptions due to labor disputes, the Group continuously monitors pertinent labor laws and regulations and implements updates on its policies and practices as may be necessary in view of developments in such laws and regulations. The Group likewise renegotiates the economic provisions of its existing collective bargaining agreements not later than three (3) years from the execution of said agreements with the authorized collective bargaining representatives who are elected every five (5) years.

SMFB is committed in upholding the right of employees to freedom of association as guaranteed under the Philippine Constitution, as well as statutory and regulatory provisions. In its Freedom of Association Policy adopted in 2023, SMFB recognizes the right of its employees to freely associate with others, including forming and joining organizations or associations of their choice, without fear of discrimination, retaliation, or undue interference from the Company. It also recognizes that its employees are vested with the right to choose to participate in external organizations or associations of their choice provided such participation and involvement does not conflict with the Company's organizational values, mission, or legal obligations. The Company remains non-partisan and its employees are free to engage in political and advocacy related activities in their own time and using their own resources.

Furthermore, platforms for grievances are well-established. Meetings are held regularly to address employee concerns and to ensure that there is constant engagement. In addition, the Group's businesses organize various townhall or similar forums that serve as a venue for communication between employees and management. For example, SMF organizes "Speak Ups" with the Division President, Chief Operating Officer or Business Unit Heads. During this venue, concerns raised on various issues are addressed and the employees who raise such concerns are given feedback on the resolution of the issues. Other online communication channels were also made available for employees to provide an alternative venue to interact with management.

### **Opportunities and Management Approach**

The Group continues to be vigilant in complying with applicable labor laws and regulations and engaging with collective bargaining representatives to hear and address grievances that employees may have.

In addition, the Group's businesses will continue to provide their respective employees with avenues of communication with management such as speak ups, labor-management council meetings and toolbox meetings, with the goal of promoting cordial employee-management relations as well as process and work improvements for better efficiencies.

The Freedom of Association Policy can be access through the Company's website at:

[https://www.smfb.com.ph/files/reports/SMFB\\_Freedom\\_of\\_Association\\_Policy\\_.pdf](https://www.smfb.com.ph/files/reports/SMFB_Freedom_of_Association_Policy_.pdf)

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

Disclosure	2023	2022	Units
Safe man hours	24,557,985	25,160,205	Man-hours
No. of work-related injuries	196	199	Count
No. of work-related fatalities	0	0	Count
No. of work-related ill-health	411	1,006	Count

\* Figure revised due to change in definition of the Spirits business. In its 2022 Sustainability Report, GSML's Safe Man-Hours was reported as accumulated hours. Meanwhile, the same data in this year's report are presented as full-year Safe Man-Hours only.

### Impacts and Risks

Occupational Health and Safety (OHS) focuses primarily on protecting employees in the workplace from accidents, injuries, and potential exposure to harmful substances. While accidents can happen anytime, SMFB ensures that the Group takes steps to reduce the risk of accidents and maintain a safe working environment for all.

OHS is a priority of the Group because of numerous benefits, including:

- Reduced risk of accidents or injuries by identifying and mitigating hazards
- Improved efficiency and productivity due to fewer employees missing work from illness or injury
- Improved employee relations and morale (a safer work environment is a less stressful work environment)
- Reduced costs associated with accidents or injuries (healthcare and rehabilitative costs, losses in productivity, impact on employees' well-being)

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, Employees, and Local Communities

### Management Approach to Impacts and Risks

All industries have potential safety hazards. As a matter of policy, the Group strives to identify these hazards and ensures that employees have the training, safety equipment, and other

resources necessary to work safely. The Group recognizes that failure to implement effective policies and precautions can lead to injuries, reduced productivity due to absence or loss of skilled labor, and possible penalties imposed by relevant government agencies, among others.

The Group has identified several hazards that its employees may be exposed to, including:

- Physical hazards such as excessive noise levels, heat, exposed wiring, falling objects, wet floors, and other conditions that can cause slips, falls, cuts, or other injuries.
- Ergonomic hazards that put strain on muscles, tendons, and other connective tissues of the body, resulting from bad posture, not using mechanical assistance, and repetitive or awkward lifting/movement. These can lead to musculoskeletal injuries such as muscle sprains, ruptured or herniated discs, and carpal tunnel.
- Psychological hazards can lead to concentration problems, inattention, or negligence. This type of hazard includes work-related stress and fatigue, among others. These conditions can, in turn, lead to morale issues, reduced productivity and quality of work, and increased injury.

SMFB values the health and safety of all its employees and other workers. Worker protection is a key topic in its Code of Business Conduct and Ethics and its Policy relating to Health, Safety, and Welfare. It is stated that the Group shall have programs in place to ensure the safety of its workers, which include elimination of occupational hazards in the workplace, provision of protective equipment, proper training in the handling and use of machinery and materials, and other safety protocols. Moreover, the Group ensures the protection of workers from undue exposure to chemical, biological and physical hazards. If it is necessary, safety information is also provided to guide all workers.

In the Policy relating to Health, Safety, and Welfare, the Group initiates a variety of activities centered on the safety, health and welfare of its employees.

Upon regularization, employees are entitled to Group Personal Accident Insurance, Group Life Insurance, Work Connected Accident Insurance, medical benefits through HMO coverage consisting of annual physical examinations, physician consultations, diagnostic procedures, medicines and hospitalization.

In particular, the Group has the following programs to promote the health, safety and welfare of its employees:

- a. All facilities have clinics that provide medical consultation and diagnostic services, and dispense accredited doctor-prescribed medicines;
- b. Admission at accredited hospitals for employees with sick leave credits;
- c. Annual Health and Wellness Day, where the Group provides free disease screening, consultation, discounted vaccines/immunization, and various fitness activities for employees and their dependents;
- d. Well-being events and other seminars or workshops, as well as information campaigns on health awareness and disease prevention;
- e. Sports and aerobics;
- f. Employee bonding initiatives such as team building, summer outings and Christmas parties;
- g. Formation of Health and Safety Committee tasked to lead in the risk and hazard assessment and eradication in the workplace;



- h. Activation of Emergency Response Teams that are trained to lead during emergency situations like fires and earthquakes;
- i. Annual conduct of fire and earthquake drills;
- j. Facilities and offices have been awarded with Safety Seal Certifications from the Department of Labor and Employment or their respective local government units; and
- k. Conduct of regular reviews and audits to identify potential hazards and proactively address all issues immediately.

Ensuring the health and safety of employees inside and outside of the workplace remains the primary objective of the Company. Necessary health protocols are still implemented in all facilities to protect employees and prevent transmission of the COVID-19 virus. This includes mandatory wearing of face masks prior entry to any office or facility, handwashing and disinfection.

**Opportunities and Management Approach**

The Group is committed to providing the means to monitor evolving risks within the workplace and strives to identify mitigating measures, with the goal of preventing any form of incidents and keeping injuries at a minimum. It will continue to provide employees with specific programs to encourage safety, physical activity, active breaks, healthy eating and good mental health.

Furthermore, as the government lifted the state of public health emergency due to COVID-19 last July 2023, employees will still abide with the minimum health protocols to continuously minimize COVID-19 cases and ensure that employees and workplaces are safe.

**Labor Laws and Human Rights**

Disclosure	2023	2022	Units
No. of legal actions or employee grievances involving forced or child labor	0	0	Count

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g., harassment, bullying) in the workplace?

Yes. These are found in the Policy on Child and Forced Labor, Anti-Sexual Harassment Policy as well as the Code of Business Conduct and Ethics.

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	<p>Policy on Child and Forced Labor</p> <p>“Moreover, pursuant also to the mandate of the 1987 Constitution that no involuntary servitude in any form shall exist, the San Miguel Group shall not engage, tolerate or support forced or involuntary labor.”</p> <p>Code of Business Conduct and Ethics</p> <p>“We shall not use forced or involuntary labor.”</p>
Child labor	Y	<p>Policy on Child and Forced Labor</p> <p>“In compliance with Republic Act No. 7610, otherwise known as the "Special Protection of Children Against Child Abuse, Exploitation and Discrimination Act", as amended by Republic Act No. 9231, the San Miguel Group shall not engage in child labor except in accordance with law. The San Miguel Group shall ensure that its employees are of legal working age and shall comply with the conditions of the law on child employment, such as internships or apprenticeships.”</p> <p>Code of Business Conduct and Ethics</p> <p>“We shall not use child labor.”</p>
Human Rights	Y	<p>Anti-Sexual Harassment Policy</p> <p>“Towards this end, all forms of sexual harassment against Personnel (hereinafter, the Personnel target of such sexual harassment referred to as the “Recipient”) in the Workplace as hereinafter defined, are prohibited.”</p> <p>Code of Business Conduct and Ethics</p>

	<p>“We shall provide a workplace free of harassment, discrimination, harsh and inhumane treatment.”</p>
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**Impacts and Risks**

The fundamental belief in the dignity of the individual is in line with SMFB’s core value of *Malasakit*—looking after the welfare and interests of others and going beyond what is expected. Respecting human rights and the prohibition of forced labor and child labor are responsibilities SMFB takes seriously. Violations of the foregoing carry material penalties and expose the Group to potential law suits, as well as reputational risks.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, Employees, and Customers

**Management Approach to Impacts and Risks**

SMFB’s company policies, particularly, the Policy on Child and Forced Labor, Anti-Sexual Harassment Policy, and Diversity, Equity and Inclusion Policy, as well as the Code of Business Conduct and Ethics prohibit forced/involuntary labor and child labor and promote a workplace free of harassment, discrimination, and 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 Group complies with applicable wage laws and regulations governing employment, including minimum wage, overtime hours, and mandated labor benefits.

**Opportunities and Management Approach**

The Group shall continue to be compliant with all applicable labor laws and regulations and be watchful against any violations on labor and human rights in its premises and supply chains.

The Policy on Child and Forced Labor, Anti-Sexual Harassment Policy, and Diversity, Equity and Inclusion Policy, as well as the Code of Business Conduct and Ethics can be access through the Company’s website at:

[https://www.smfb.com.ph/files/reports/SMFB\\_Policy\\_on\\_Child\\_and\\_Forced\\_Labor\\_.pdf](https://www.smfb.com.ph/files/reports/SMFB_Policy_on_Child_and_Forced_Labor_.pdf)

[https://www.smfb.com.ph/files/reports/SMFB\\_Anti\\_Sexual\\_Harassment\\_Policy.pdf](https://www.smfb.com.ph/files/reports/SMFB_Anti_Sexual_Harassment_Policy.pdf)

[https://www.smfb.com.ph/files/reports/SMFB\\_Diversity\\_Policy\\_.pdf](https://www.smfb.com.ph/files/reports/SMFB_Diversity_Policy_.pdf)

[https://www.smfb.com.ph/files/reports/SMFB\\_Code\\_of\\_Business\\_Conduct\\_and\\_Ethics\\_3.pdf](https://www.smfb.com.ph/files/reports/SMFB_Code_of_Business_Conduct_and_Ethics_3.pdf)

## Supply Chain Management

The Group is one with SMC in its commitment to doing business in an ethical, legal, and socially responsible manner, and to maintaining the highest standards of honesty and integrity in all aspects of its business. The Group is guided by SMC’s Supplier Code of Conduct which establishes clear compliance standards and ethical principles that all suppliers that provide either products and/or services to any company or entity within the San Miguel Group (“SMG Suppliers”) are bound to observe. The SMG Suppliers are expected to adopt and practice the highest standards of business ethics and comply with applicable laws and regulations, including those relating to the environment, occupational health and safety, labor practices, and data privacy, to be able to continually do business with the Group.

While the SMC Group has a group-wide supplier accreditation policy and observes a common procedure to implement such policy, it will not be disclosed as it is considered a trade secret, proprietary to the Group and thus highly confidential. 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 company within the SMC Group. 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.

SMFB also has a Code of Business Conduct and Ethics, Anti-Corruption and Sanctions Compliance Policy, Policy on Child and Forced Labor, Anti-Sexual Harassment Policy, and Environment Policy, which extend to its suppliers.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance	Y	<p>Supplier Code of Conduct</p> <p>“SMG Suppliers shall foster and maintain a management culture and attitude that establishes a results-based system toward the continual improvement of their environmental, health and safety practices and performance. SMG Suppliers shall comply with environmental laws and regulations applicable to their operations worldwide.”</p> <p>Environment Policy</p> <p>SMFB is “aligned with San Miguel Corporation in its commitment to do what is right and to lead in nation-building by creating opportunities so that all can share in the rewards of sustainable development and prosperity.”</p> <p>Code of Business Conduct and Ethics</p>

		<p>“We shall comply with all applicable environmental regulations. All required environmental permits, licenses, authorizations, registrations and clearances must be obtained and their operational and reporting requirements followed.”</p>
Forced labor	Y	<p>Supplier Code of Conduct</p> <p>“SMG Suppliers must not utilize or benefit in any way from forced or compulsory labor, nor utilize factories or subcontractors that utilize forced or compulsory labor.”</p> <p>Policy on Child and Forced Labor</p> <p>“Moreover, pursuant also to the mandate of the 1987 Constitution that no involuntary servitude in any form shall exist, the San Miguel Group shall not engage, tolerate or support forced or involuntary labor.”</p> <p>Code of Business Conduct and Ethics</p> <p>“We shall not use forced or involuntary labor.”</p>
Child labor	Y	<p>Supplier Code of Conduct</p> <p>“SMG Suppliers shall comply with local minimum working age laws and requirements and not employ child labor. SMG Suppliers must only employ workers who meet the applicable minimum legal age requirement. SMG Suppliers are also expected to comply with all other applicable child labor laws.”</p> <p>Policy on Child and Forced Labor</p> <p>“In compliance with Republic Act No. 7610, otherwise known as the "Special Protection of Children Against Child Abuse, Exploitation and Discrimination Act", as amended by Republic Act No. 9231, the San Miguel Group shall not engage in child labor except in accordance with law. The San Miguel Group shall ensure that its employees are of legal working age and shall comply with the</p>

		<p>conditions of the law on child employment, such as internships or apprenticeships.”</p> <p>Code of Business Conduct and Ethics</p> <p>“We shall not use child labor. Employment of young workers shall only occur in accordance with the law.”</p>
Human rights	Y	<p>Supplier Code of Conduct</p> <p>“SMG Suppliers shall treat each employee with dignity and respect. SMG Suppliers shall prohibit threats of violence, physical punishment, confinement or any other form of physical, sexual, psychological, or verbal harassment or abuse and all other forms of intimidation or harassment in the workplace.”</p> <p>Anti-Sexual Harassment Policy</p> <p>“Towards this end, all forms of sexual harassment against Personnel (hereinafter, the Personnel target of such sexual harassment referred to as the “Recipient”) in the Workplace as hereinafter defined, are prohibited.”</p> <p>Code of Business Conduct and Ethics</p> <p>“We shall provide a workplace free of harassment, discrimination, harsh and inhumane treatment.”</p>
Bribery and corruption	Y	<p>Supplier Code of Conduct</p> <p>“SMG Suppliers shall not offer, make, or receive any form of bribe in order to win or retain business, or seek to influence a business or regulatory decision inappropriately. This shall include offering or providing any bribe, kickback, contribution, gift, favor, hospitality, entertainment, secret commission, reward, employment or promise of employment, or anything of value to (i) compromise the objectivity of SMG or an SMG employee or representative or any foreign or domestic government official or employee in making decisions; or (ii) obtain an undue</p>

		<p>advantage or benefit from SMG or any foreign or domestic government official or employee.”</p> <p>Anti-Corruption and Sanctions Compliance Policy</p> <p>“Company Personnel are prohibited from engaging in any form of bribery, kickbacks, extortion, or other corrupt payments or practices in any way related to the San Miguel Group businesses.”</p> <p>Code of Business Conduct and Ethics</p> <p>“Any form of corruption, extortion and embezzlement shall be prohibited. We shall not offer, pay nor accept bribes or participate in other illegal inducements in business or government relationships. We shall work against corruption in all its forms.”</p>
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**Impacts and Risks**

Certain aspects of the Group’s manufacturing, production, and logistics operations are outsourced to legitimate and independent third-party contractors. In doing so, the Group distributes economic value to its suppliers while also enhancing their ability to generate economic value themselves and create employment for others. A core value of SMFB is to work hand-in-hand with its suppliers and other business partners, helping them grow with the Group, and assure them of reasonable returns.

The Group, however, recognizes that there is a risk that certain contractors and suppliers may fail to perform their contract obligations, or that the Group may be unable to find new, legitimate, and independent contractors to meet increased demand. Failure of suppliers and contractors to meet labor, safety, health, and environmental laws could also impact the Group’s production and distribution capabilities and likewise pose reputational risks.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, and Employees

**Management Approach to Impacts and Risks**

The Group has a portfolio of accredited suppliers and contractors to reduce risks and disruptions in supply and production.

SMFB, through its Code of Business Conduct and Ethics, also enjoins its business partners, which include suppliers, to conduct business consistent with the principles of good governance and ethics and to demonstrate compliance with the principles and standards stated in the

Code. It is also the Group’s commitment to develop the full potential of its business partners by sharing applicable knowledge, skills, and best practices.

Suppliers are screened through an accreditation process that ensures that they are compliant with all government regulations. They are also evaluated on their ability to meet the Group’s expectations on timely delivering quality goods and services, and to comply with SMFB’s Code of Business Conduct and Ethics and Supplier Code of Conduct.

**Opportunities and Management Approach**

The Group will continue enhancing its supplier assessment practices and further integrate other sustainability topics in its accreditation and monitoring processes.

**Relationship with Community**

Significant Impact on Local Communities

Below are some of the Group’s programs and initiatives that have created shared value for the business, its operations, and the local communities involved.

<b>Operations with significant impacts on local communities</b>	<b>Location</b>	<b>Vulnerable groups, if applicable*</b>	<b>Does the particular operation have impacts on indigenous people (Y/N)?</b>	<b>Community right and concerns of communities</b>	<b>Mitigating or enhancement measures</b>
SMB, SMF, and GSMI facilities	Nationwide	Not applicable	No	Local hiring, creating employment and business opportunities	Health, Education, Employment, and Livelihood projects
SMB’s Mangrove Planting	Brgy. Busong, City of Puerto Princesa, Palawan	Not applicable	No known negative impact to indigenous people	The program aims to help propagate mangroves along the coastlines of Carmen, 400 mangroves were planted by employees and partners	The mangroves have contributed to sustainability of breeding areas for fish and shellfish. Fish catch will steadily improved throughout the years the mangrove areas.
GSMI coastal clean-up	Guimaras Strait	Not applicable	No	This program involves monitoring of the Guimaras Strait. Regular	This helps ensure biodiversity conservation.



				coastal cleanups are done in collaboration with LGUs and volunteers from nearby communities.	
SMB Community Clinics	Various Locations	Not applicable	No	Provision of health services to residents of host communities caters to adult and pediatric patients with medical issues such as hypertension, diabetes, and other generic illnesses.	An integral part of establishing a healthy community, especially in areas where there is no immediate access to medical care.
GSMI Fishnet Assistance Program launched by Distileria Bago, Inc. (DBI)	Barangay Taloc, Bago City, Negros Occidental	Not applicable	No	The program provides members of the community with the opportunity to rent or purchase fish nets to improve their income and help secure their financial future. The initiative operates as a revolving fund, with revenue generated being used to acquire more fishnets for members to rent and eventually own.	GSMI, through DBI, recognizes the importance of empowering individuals to build their livelihoods. By providing opportunities for individuals to earn a decent living, GSMI then contributes to the growth and well-being of the community.
SMB's Trees Brew Life	Various Locations	Not applicable	No	In support of the government's National Greening Program	Trees planted will contribute to improving the environment

SMB's Relief Operations	Various Locations	Not applicable	No	Provides relief operations for communities affected by various calamities such as volcano eruptions, storms, floods, etc.	Reduce the suffering of those affected and help enable communities to restart normal life more quickly
<p>SMF's sustainable sourcing program of agri-based raw materials: An initiative to ensure sustainable supply of strategic agricultural raw materials at low delivery cost, while providing livelihood opportunities in the countryside. Its main features are:</p> <ul style="list-style-type: none"> <li>- Guaranteed market for farmers, with purchase agreement.</li> <li>- Guaranteed floor price or SMF-approved buying price at the time of delivery, whichever is higher.</li> <li>- Planting material support for start-ups.</li> <li>- Technical support for farmers for proper crop production management.</li> </ul>	<p>The program is present in 28 provinces, nine of which are part of the Department of Agriculture's 2019 list of 20 poorest provinces.</p> <p><b>Luzon</b></p> <ul style="list-style-type: none"> <li>- Apayao</li> <li>- Ifugao</li> <li>- Cagayan</li> <li>- Isabela</li> <li>- Nueva Ecija</li> <li>- Pampanga</li> <li>- Quirino</li> <li>- Tarlac</li> <li>- Batangas</li> <li>- Occidental Mindoro</li> <li>- Masbate</li> <li>- Camarines Sur</li> </ul> <p><b>Visayas</b></p> <ul style="list-style-type: none"> <li>- Cebu</li> <li>- Eastern Samar</li> <li>- Leyte</li> <li>- Negros Occidental</li> <li>- Negros Oriental</li> </ul> <p><b>Mindanao</b></p> <ul style="list-style-type: none"> <li>- Zamboanga del Norte</li> <li>- Zamboanga del Sur</li> </ul>	The program benefits local farmers, indigenous people of Mindoro	No known negative impact to indigenous people	No individual or collective rights are threatened or are of particular concern for the community.	SMF has enhanced the payment processing to a cycle period of 5 days compared to a regular 30 days payment period with other vendors or suppliers

	<ul style="list-style-type: none"> <li>- Lanao del Sur</li> <li>- Misamis Oriental</li> <li>- Bukidnon</li> <li>- Davao del Sur</li> <li>- Davao Occidental</li> <li>- North Cotabato</li> <li>- South Cotabato</li> <li>- Maguindanao</li> <li>- Sultan Kudarat</li> </ul>				
<p>Contract Poultry Growing: SMF partners with local farmers and growers for its poultry business.</p>	<ul style="list-style-type: none"> <li>- Region I (Pangasinan, Ilocos)</li> <li>- Region II (Isabela)</li> <li>- Region III (Zambales, Bataan, Tarlac, Nueva Ecija, Pampanga)</li> <li>- Region IV (Batangas, Quezon, Cavite)</li> <li>- Region V (Camarines Sur, Albay)</li> <li>- Region VI (Iloilo, Negros Occidental)</li> <li>- Region VII (Cebu)</li> <li>- Region VIII (Leyte)</li> <li>- Region IX (Zamboanga)</li> <li>- Region X (Cagayan de Oro, Misamis Occidental, Misamis Oriental)</li> <li>- Region XI (Davao)</li> <li>- SOCCSKSAR GEN (General Santos)</li> <li>- CARAGA (Butuan)</li> </ul>	<p>The program benefits local farmers.</p>	<p>None</p>	<p>In some areas, nearby communities complain of higher incidences of fly infestation.</p>	<p>Site qualification. Site should be within the agricultural zone of the community and be one (1) kilometer away from the nearest residential area and farms; proper farm management and maintenance-- SMF inspects farms' compliance with SMF guidelines; addition of larvicide in poultry feeds to eliminate fly larvae from poultry farms.</p>

<p>SMF Community Resellers Program: The number of community resellers of SMF's Magnolia Fresh Chicken and Prepared and Packaged Food products, grew significantly in 2021. For as low as P2,000 capital, sellers are provided assorted chicken products to sell in their communities, while SMF provides coolers on loan for storage. Resellers wanting to sell Purefoods and Magnolia products as well as food service offerings, only need a capital of P10,000 to start their community business.</p>	<p>Nationwide</p>	<p>The program is generally aimed at helping:          -Those in disadvantaged communities          -Displaced overseas Filipino workers (OFWs)          -Senior citizens          -Solo parents          -OFW returnees, seafarers          - Unemployed, particularly those who lost their jobs because of the pandemic</p>	<p>No</p>	<p>No individual or collective rights are threatened or are of particular concern for the community.</p> <p>For the community, the program provides an alternative source of livelihood for disadvantaged families, those who lost their jobs during the pandemic, and other vulnerable sectors whose opportunities may otherwise be limited due to their circumstances.</p>	<p>SMF provides training and assistance in marketing the products, to help ensure that even first-time entrepreneurs will have a foundation for success and can benefit from a continuous source of livelihood.</p>
<p>SMF's Handog Kalikasan Coral Rescue Program</p> <p>To help protect and preserve the rich marine biodiversity of Anilao in Mabini, Batangas, where SMF's flour milling plants and grain terminal are located, SMF launched a coral rescue program participated in</p>	<p>Mabini, Batangas</p>	<p>Aquatic environment of Mabini, Batangas and its community</p>	<p>No</p>	<p>The workers and residents living in close proximity to the plant have raised concern about the dust build-up coming from the grain and wheat milling (grinding, reducing, sifting).</p>	<p>The plant is religiously doing the following dust control solutions:          a. It is using various blocking materials that are attached to the machines/equipment during the loading and unloading of the raw materials and finished products.          b. Another mitigating measure is the use of a large</p>

<p>by employees and their friends who are licensed scuba divers. Under the supervision of a marine biologist, ten volunteer divers transplanted 100 corals at a depth of nine meters. The coral rescue pilot site is in the area close to Barangay San Teodoro, in the southern part of Mabini. The site is expected to achieve a survival rate of 60% and further contribute to the growth of the fish population. As SMF monitors how the site progresses, it will be able to measure the program's effectiveness in terms of fish biomass and number of fish species in the area. As the coral community develops, the fish community and other reef-associated organisms also flourish.</p>					<p>suction machine that collects the dust and other fine particles in the facility.</p>
<p>GSMI, East Pacific Star Bottlers Phils Inc. and DBI</p>	<p>Sta. Barbara, Pangasinan; Cabuyao, Laguna; Cauayan, Isabela; Ligao</p>	<p>Not applicable</p>	<p>No</p>	<p>Local hiring for applicable jobs</p>	<p>Health, Education, and Livelihood projects  Constant</p>

	City, Albay; Mandaue City, Cebu; Bago City, Negros Occidental				engagement with communities
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\* Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

For operations that are affecting Indigenous Peoples (IPs), indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:  
**NOT APPLICABLE**

Certificates	2023	2022	Unit
FPIC process which is still undergoing consultations	Not Applicable	Not Applicable	Count
CP secured	Not Applicable	Not Applicable	Count

## Impacts and Risks

The Group has operations throughout the Philippines and has created positive impacts on local economies. Such nationwide operations not only provide consumers access to the Group's products, but they also fuel local communities with taxes, spur employment, and economic development, among others.

While there are positive impacts, there are potential risks such as pollution, graft and corruption, and habitat destruction.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Employees, and Local Communities

## Management Approach to Impacts and Risks

One of SMFB's guiding principles is Social Responsibility where it enjoins employees and business partners to "contribute positively to the promotion of social responsibility in the community in which we live and work by supporting activities and programs geared towards community welfare and environmental protection".

If community concerns and grievances arise, the Group has designated individuals who manage the local affairs and take the lead in addressing the matters raised by coordinating and discussing with all the concerned stakeholders and appropriate government authorities (e.g., concerned individuals, community leaders, and government officials).

## Opportunities and Management Approach

The Group sees an opportunity in developing more programs that would create and foster shared value with the local communities.

### CUSTOMER MANAGEMENT

#### Customer Satisfaction

Customer satisfaction is a material topic to the Group. It regularly conducts focus group discussions to keep abreast of changing consumer preferences and subscribes to market readings of partner agencies, such as Kantar and Nielsen, to keep track of its categories' performance. The Company also does social media listening to know consumer sentiments on its products and be able to respond accordingly if there is any negative feedback. Moreover, the Company tracks customer and consumer complaints on a single platform to ensure that each complaint is properly evaluated, resolved and if necessary, addressed with appropriate corrective actions.

## Impacts and Risks

The Group believes that its products are part of the daily lives of its consumers, providing sustenance and enjoyment to families through its trusted food brands and both alcoholic and non-alcoholic beverages. Its array of over 30 brands across six categories serves and is patronized by a full spectrum of the population. Based on a survey conducted by a qualified third party between 2015 and 2018, the Group's products are present in 92% of Filipino homes. The Group's goal is to continue to deliver high quality products at affordable prices for every segment of its portfolio. It also continues to expand its distribution networks for better access to consumers.

In the event that products do not meet consumer expectations or become inaccessible or unavailable, consumers may shift to competitors' products and this may affect the business performance and financial position of the Group.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, and Employees

## Management Approach to Impacts and Risks

As SMFB strives to be the customers' top-of-mind choice, one of its guiding principles is Customer Focus—"Our customer is our reason for existence." A dedicated team listens to its customers to understand and anticipate their needs, and provide them with products and services that exceed their expectations.

The Group believes that, given its history in the industry and leading market share in several product categories, it is constantly in tune to market trends. These trends are used as basis for new products, marketing, and distribution programs, among others. The Group implements

various initiatives to communicate with its markets such as focus group discussions and workshops.

The Group also utilizes the San Miguel Customer Care Center where customers can email or call for inquiries or product orders, and give feedback on the Group's products and services.

### **Opportunities and Management Approach**

The Group continues to expand its portfolio to offer more options for every taste, lifestyle and occasion.

#### Health and Safety

Health and Safety is deemed by the Group to be a material topic. While consolidated data of the Group is not yet available, systems are being put in place for subsequent reporting cycles. Management approach of the potential impacts and risks is provided in the following section.

### **Impacts and Risks**

Consumers put their trust in SMFB every time they consume one of the Group's products. This is the reason why fundamental to the success of the Group is its compliance with the mandatory food standards set pursuant to the Food Safety Act of 2013. The said law aims for a high level of food safety, protection of human life and health in the production and consumption of food, and the protection of consumer interests through fair practices in the food trade. Under this law, food business operators are charged with certain responsibilities to prevent, eliminate or reduce risks to consumers. They are further encouraged to implement a Hazard Analysis at Critical Control Points-based system for food safety assurance in their operations.

The Group recognizes the risk that its products could detract from the perceived reliability or quality of its products (e.g., contamination). Improper storage and handling could result in spoilage, defects, recalls and complaints, as well as affect the health and safety of consumers. This could result to product liability claims, damage to brand and reputation, as well as reduction in sales and profitability.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, Employees, and Local Communities

### **Management Approach to Impacts and Risks**

SMFB "shall uphold compliance with quality and food safety standards, as well as applicable recognized quality regulations, standards and practices (e.g., Quality and Food Safety Regulations, Good Manufacturing Practices, Good Laboratory Practices, etc.) that are required in the markets where our products are registered and distributed." To ensure quality and food safety, the Group follows various international standards in materials safety testing and Quality Management Systems, including:

- 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, and
- 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.

To ensure that food safety standards are adhered to, safeguards are put in place from end-to-end of the supply chain to avert violations, inadvertent or otherwise.

For SMF, for example, the following have been put in place:

- Raw materials undergo a strict acceptance criteria and scrutiny by a Quality Assurance analyst before these are used in production
- SMF facilities are either FSSC-certified or certifiable
- Good warehouse practices are followed in all warehouses and depots
- Supply chain stakeholders undergo regular food safety and product handling trainings
- CCTV cameras are placed in production areas and storage facilities

The Group also relies on other methods to capture complaints from different channels, such as social media, phone calls, emails, and customer care, and addresses such complaints systematically, as well as tracks their progress until these are resolved.

Improvements have, likewise, been made in its supply chain to improve traceability of its products. With SMF, for example, batch codes have been standardized and implemented across some of its business segments. This allows for a better and more systematic traceability of non-conforming products and can facilitate a product recall within 24 hours, if the need arises.

Moreover, the Group adheres to Presidential Decree No. 856, otherwise known as the Code on Sanitation of the Philippines, which provides for sanitary and structural requirements in connection with the operation of food establishments that include such places where food or drinks are manufactured, processed, stored, sold or served. Under such Code, food establishments are required to secure sanitary permits prior to operation, which shall be renewed on a yearly basis. The Code is implemented by the Department of Health. The Group further employs Good Warehousing Practices and Sanitary Warehousing and Distribution Preventive Control Plans.

### **Opportunities and Management Approach**

In line with its goal of delivering safe, high-quality food and beverage products, the various businesses of the Group continue to explore, create, and implement best practices on safety and quality that it constantly strives to improve. There is a zero-tolerance policy regarding food safety violations. The Group has built a workplace culture that places responsibility for food and beverage safety on the shoulders of every employee.

In light of the increasing incidence of non-communicable diseases in the country and emerging regulations targeted at unhealthy food, SMF is driving to further improve the nutritional value of its products.

SMF has established nutrition thresholds to guide its businesses in product development. Reductions in sodium, transfat, added sugar and saturated fat in its products are targeted over the next five years.

Relatedly, it has an ongoing program to limit sodium in its processed foods to 667/mg per serving in consideration of the World Health Organization's threshold for sodium of 2000 mg/day. It has also initiated nutrition fora to increase employee awareness on proper nutrition.

### Marketing and Labelling

Marketing and Labelling is deemed by the Group to be a material topic. While consolidated data of the Group is not yet available, systems are being put in place for data gathering in subsequent reporting cycles. Management approach of the potential impacts and risks is provided in the following section.

## **Impacts and Risks**

To help consumers make informed choices on their product purchases, the Group strives to make information on labels simple and clear. Marketing and advertising campaigns comply with standards set by regulatory agencies.

Risks include misrepresentation or misinterpretation of the information contained in labels, marketing, and advertising materials, which can pose risks to health and cause damage to the Group's reputation.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Suppliers and Vendors, Customers, Employees, and Local Communities

## **Management Approach to Impacts and Risks**

The Ad Standards Council Guidebook for Responsible Advertising and Manual of Procedures, as formulated by the Ad Standards Council, a non-stock, non-profit organization, established by the *Kapisanan ng mga Brodkaster ng Pilipinas*, Philippine Association of National Advertisers and Association of Accredited Advertising Agencies, governs the screening of all broadcast, out-of-home and print advertising, as well as the settlement of disputes regarding advertising content.

For its alcoholic beverages, the Group promotes responsible drinking among its consumers. In every commercial, advertisement, and promotional material, the statement, "Drink Responsibly" is always included. In light of the COVID-19 pandemic where some on-premise channels have remained closed since March 16, 2020, and large gatherings are prohibited or regulated, SMB and GSMI have been promoting at-home consumption in their communications.

In addition, product labels for all products of SMFB abide by the applicable regulations issued by government agencies, such as the Philippine Food and Drug Administration and the Department of Trade and Industry.

## Opportunities and Management Approach

The Group is continuously looking for ways to improve its marketing, advertising, and labelling of its products. It will also continue to work with industry peers, regulators, and other stakeholders to seek out opportunities to provide more information and education to its consumers. For SMF, for example, an opportunity is to communicate nutritional improvements in its products. It likewise aligns with the government’s nutritional programs such as the Philippine Plan of Action for Nutrition, First 1,000 Days Law, and the Department of Science and Technology’s Food Nutrition Research Institute Nutritional Profile.

For the Group’s alcoholic beverages, it will likewise explore ways to further promote responsible drinking, especially in the marketing of its products.

### Customer Privacy

Disclosure	2023	2022	Unit
No. of substantiated complaints on customer privacy	0	0	Count
No. of complaints addressed	0	0	Count
No. of customers, users and account holders whose information is used for secondary purposes	0	0	Count

## Impacts and Risks

SMFB engages with its stakeholders in virtually every aspect of its business operations and business transactions. For example, the various marketing groups across each business invest

in market research surveys to gauge market reception of its products. Another example is the Group's sales teams that communicate with their respective dealers and distributors frequently to more accurately assess demand for its products.

The Group keeps an open line with its consumers and stakeholders through various communication platforms. In the process of addressing various concerns and to enable accurate and timely feedback, the relevant business will require a certain level of personal information that is necessary to address the specific concerns. The Group respects and upholds data privacy rights and ensures that all personal data collected, including those from or about its customers, are processed pursuant to provisions of the Data Privacy Act of 2012, its Implementing Rules and Regulations and issuances of the National Privacy Commission (collectively, the "Privacy Laws"). The Group ensures that the Privacy Laws are complied with.

A breach on customer privacy could compromise personal security and safety. Furthermore, violation of the Privacy Laws may result in sanctions and penalties, and could undermine the Group's reputation, and even disrupt certain aspects of business operations.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Suppliers and Vendors, Customers, Employees, and Local Communities

### **Management Approach to Impacts and Risks**

SMFB is committed to keeping customer information private and utilizing such information only in accordance with the purpose it was asked for. This is explicitly stated in SMFB's Privacy Statement on its website: <https://www.smfb.com.ph/page/website-privacy-statement>. The viewer needs to agree to the statement prior to accessing the website.

In addition, SMFB's Personal Data Privacy Policy sets forth the principle that the Company will observe transparency, legitimate use and proportionality in the processing of personal data. In compliance with applicable laws and regulations, the Company has appointed a Data Protection Officer. SMFB's Personal Data Privacy Policy can be accessed on its website: [https://www.smfb.com.ph/files/reports/SMFB\\_DataPrivacyPolicy1.pdf](https://www.smfb.com.ph/files/reports/SMFB_DataPrivacyPolicy1.pdf).

SMFB has not received any complaints regarding breaches of customer privacy and there were no incidences of non-compliance with regulations during the reporting period.

### **Opportunities and Management Approach**

SMFB is committed to protecting the privacy of its customer data in accordance with the Privacy Laws. It constantly evaluates its policies to ensure that they continue to secure customer information and that the policies are updated and compliant with current laws and regulations.

## Data Security

<b>Disclosure</b>	<b>2023</b>	<b>2022</b>	<b>Unit</b>
No. of data breaches, including leaks, thefts, and losses of data	0	0	Count

### **Impacts and Risks**

The Group owns, uses, or is in possession of information assets that can be stored in electronic systems, business applications, networks, and other information processing facilities. Officers and employees, depending on the nature of their functions, also have access to various information assets of the Group.

As the Company pursues digitalization, it has become more reliant on computers, cloud computing and other digital means of storing data. This has made the Company more susceptible to threats such as phishing, ransomware, hacking, and the like.

The Group recognizes the importance of strict data security policies, which if neglected or not strictly implemented, may lead to data breaches such as data leaks, thefts, and losses. Possible consequences of data breaches may include, but are not limited to, loss of intellectual property, reputational damage to the Group and disruption in business operations.

Stakeholders: Shareholders and Investors, Government Bodies and Regulators, Customers, Suppliers and Vendors, Employees, and Local Communities

### **Management Approach to Impacts and Risks**

The Group is guided by SMC's corporate policies on information security, which provide that it should protect the confidentiality, integrity, availability and legality of the SMC Group's electronic data and its information technology and communications assets, including equipment and network systems that stores and/or transports data.

These policies on information security focus on the protection of information from unauthorized access to or modification of data, whether in storage, during processing or while in transit. There are also protective measures implemented to detect and counter threats. All employees, consultants and contractors of the SMC Group are expected to abide by the information

security policies and the acceptable use guidelines for all equipment and other related data that have been entrusted to them in their respective lines of work.

The Group has invested in cyber security tools such as Security Information and Event Management (SIEM) systems, firewalls, IPS, SSL-VPN, web proxy, multi-factor authentication, anti-virus, anti-spam systems and has adopted network segmentation to inspect and control data connections.

As mentioned in the preceding section, SMFB has a Personal Data Privacy Policy in place. In the event of discovery of possible signs of data breaches, the employees and agents of the company involved in the processing of personal data shall immediately report the facts and circumstances to the Data Protection Officer for verification and investigation. All security incidents and personal data breaches shall be documented through written reports. In case of personal data breaches, a report shall include the facts surrounding the incident, the effects of such incident, and the remedial actions taken by the company.

SMFB's Personal Data Privacy Policy can be accessed on its website:

[https://www.smfb.com.ph/files/reports/SMFB\\_DataPrivacyPolicy1.pdf](https://www.smfb.com.ph/files/reports/SMFB_DataPrivacyPolicy1.pdf)

## Opportunities and Management Approach

SMFB constantly reviews and improves controls and requirements to ensure information security. It will continue to explore options for data security such as cloud storage for data, including keeping information secure in off-site facilities, as well as the use of new software tools to improve information security.

SMC is investing in a Security Operations Center to help enhance the SMC Group's detection, remediation, and containment of common and sophisticated cyber security incidents.

Links:

Enterprise Risk Management: <http://www.smfb.com.ph/page/enterprise-risk-management>

Code of Business Conduct and Ethics:

[https://www.smfb.com.ph/files/reports/SMFB\\_Code\\_of\\_Business\\_Conduct\\_and\\_Ethics\\_3.pdf](https://www.smfb.com.ph/files/reports/SMFB_Code_of_Business_Conduct_and_Ethics_3.pdf)

Charter of the Board of Directors:

[https://www.smfb.com.ph/files/reports/SMFB\\_Charter\\_of\\_the\\_Board\\_of\\_Directors.pdf](https://www.smfb.com.ph/files/reports/SMFB_Charter_of_the_Board_of_Directors.pdf)

Manual on Corporate Governance: <https://www.smfb.com.ph/disclosures//manual-on-corporate-governance>

Company Policies: <https://www.smfb.com.ph/articles/company-policies>

# OUR SUSTAINABILITY FRAMEWORK

## Sustainability Framework

In line with our mission, vision, and values, our goal is to continue to be present in the everyday and life events of Filipinos. As one of the largest food and beverage companies in the country with a history of over 130 years, we have a responsibility to go beyond meeting financial targets. Now, more than ever, we seek to improve the quality of life of our employees, contribute to economic development, and make a positive impact on issues that matter most to our stakeholders and to society at large.

As a material subsidiary, we have aligned our sustainability priorities with our parent company, San Miguel Corporation. We commit to engage in initiatives that will provide the most meaningful impacts that would, likewise, benefit future generations.

## Vision and Core Purpose

As our operating environment continues to evolve, the Group has recognized the need to refresh what it stands for being one of the largest food and beverage companies in the Philippines.

In the past year, SMFB's operating divisions launched updated versions of their Vision and Core Purpose in order to fully match today's context—with a fresh focus on relevant issues such as flexibility, diversity, and sustainability, among others.



### SMB Vision & Purpose

As the leading brewer in Southeast Asia, we grow the beer industry with our world-class quality products and most-loved brands as the top-of-mind drink for everyone.

Anchored on our tradition of San Miguel Brewery business excellence, we create moments that enrich, enjoy, and celebrate life making every day a San Miguel Beer occasion.

With our passionate and empowered workforce, we provide exceptional customer experiences and forge long-term business partnerships. We do business with honor.

We commit to a world of shared prosperity by nurturing the environment and building progressive communities for future generations.  
We are SMB. We Brew Life. We Brew the Future.  
Drink to Life!



**OUR VISION**

**A healthy nation through better nutrition**

To be the leading food company nourishing generations of Filipinos, enabling all to lead healthy and productive lives

**OUR CORE PURPOSE**

**Nourishing people, nurturing life**

To provide Filipinos everywhere with nutritious, great tasting, safe, affordable and accessible food from sustainable production systems that care for the well-being of people and the environment



## Ginebra San Miguel Inc.

### Vision

Igniting the Filipino spirit to aspire for better.

### Purpose

Our brands shall embody the best in the Filipino, inspiring all to pursue life's every aspiration.

### Sustainability Statement

Spirit of sustainability and 'malasakit' in every product we create.

SMFB, meanwhile, is in the process of refreshing its Vision and Core Purpose that is aligned with those of its operating divisions and parent San Miguel Corporation as below provided, all of which were launched in 2023.



# A BLUEPRINT FOR SAN MIGUEL CORPORATION





Our sustainability blueprint will serve as a guide and map to our goals. Likewise, it will serve as a tool to instill, shift, and enhance a culture that is based on more sustainable practices. Through the blueprint, we hope to provide lasting solutions to critical issues faced by our communities, our country, and the environment.



## SUSTAINABILITY HIGHLIGHTS


The following are a few initiatives undertaken by SMFB’s subsidiaries that contribute towards the United Nations Sustainable Development Goals (UN SDGs):


COMPANY	KEY PRODUCT AND SERVICES, SOCIETAL VALUE/CONTRIBUTION TO UN SDGs	POTENTIAL NEGATIVE IMPACT OF CONTRIBUTION	MANAGEMENT APPROACH TO NEGATIVE IMPACT
<b>San Miguel Foods</b>	<p>SMF produces food products such as fresh chicken and meats, prepared and packaged food and flour.</p> <p>According to the Rapid Nutrition Assessment Survey conducted by the Food and Nutrition Research Institute (FNRI) in 2020, 62.1% of Filipino households experienced</p>	<p>SMF manufactures processed food such as hotdogs, nuggets and canned goods, in response to consumers’ demand for convenience food.</p> <p>Such products contain sodium, which if taken in excess, could lead</p>	<p>SMF has exercised transparency in its ingredients and is compliant with all existing consumer protection laws. For its processed meats products, the company provides a recommended serving size that considers the sodium threshold</p>


	<p>moderate to severe food insecurity during the pandemic. SMF is able to contribute to food security by producing food products that are nutritious, reasonably priced and accessible to consumers nationwide. These are even made more accessible to consumers during the pandemic through its community resellers program.</p> <p>The National Nutrition Survey also conducted by FNRI in 2018 revealed the prevalence of Vitamin A deficiency and anemia among children, pregnant and lactating women. The same survey showed that only 21.8% and 55.1% of Filipino households are able to meet 100% of the energy and protein requirements, respectively.</p> <p>SMF products, specifically its flour, premixes, margarine and cheese products, have been fortified with Vitamin A and iron. Some of its processed meats have also been fortified with Vitamin A, B1, B6, B12 and Vitamin D. Its dairy products are natural sources of calcium while its brown eggs have lutein, selenium and Vitamin A.</p> <p>SMF has a wide array of protein rich products such as chicken, other fresh meats, processed meats and plant-based meats which can well meet these nutritional deficiencies.</p>	<p>to high blood pressure, heart disease and stroke.</p>	<p>recommended by the World Health Organization of 2,000 mg/day.</p> <p>In 2020, SMF started the Sodium Reduction Program in an effort to lower the sodium content of its processed meats products.</p>
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	<p><b>This program is aligned with Sustainable Development Goals</b></p> 		
<p><b>San Miguel Foods</b></p>	<p>As part of its least cost production strategy, SMF initiates value recovery from the by-products of its poultry operations. By-products, such as feather meal, are converted and recycled as feed ingredients. This enables SMF to follow a closed loop production system, providing SMF with significant savings from waste reduction and wastewater treatment of organic load.</p> <p>This practice has reduced the amount of solid wastes entering the waste stream.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 	<p>Rendering of by-products causes air pollution.</p>	<p>SMF uses enzymes to eliminate the odor emitted upon rendering of by-products</p>
<p><b>San Miguel Foods</b></p>	<p>As part of expanding and innovating its portfolio, SMF has recently ventured into plant-based meat dishes under the brand Veega, which is primarily made of mushroom, wheat and soy.</p> <p>Promotion of plant-based meats is said to be more favorable for the environment as it shifts production away from animal raising which</p>	<p>As plant-based meats try to mimic conventional meats, sodium is an essential ingredient for flavoring, which if taken in excess, could lead to high blood pressure, heart disease and stroke.</p>	<p>SMF has exercised transparency in its ingredients and is compliant with all existing consumer protection laws. For its processed meats products, SMF provides a recommended serving size that considers the sodium threshold recommended by the World Health</p>

	<p>utilizes more land and emits GHG.</p> <p>Plant-based meats are also perceived to be healthier than conventional meats as these contain more fiber, iron, folate and has less saturated fat.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 		<p>Organization of 2,000 mg/day.</p> <p>In 2020, SMF started the Sodium Reduction Program in an effort to lower the sodium content of some of its processed meats products.</p> <p>SMF maintains that its products are safe to eat and that any food should be taken in moderation.</p>
<p><b>San Miguel Foods</b></p> <p>Sumilao, Bukidnon</p>	<p><b>SEED Scholarship Program</b></p> <p>Through the School for Experiential Education Development (SEED) Scholarship Program of SMF, scholarships are provided to underprivileged youth in Sumilao, Bukidnon. Students are enrolled in a 2-year Technical Education and Skills Development Authority (TESDA)-accredited program that will develop their entrepreneurial skills, such as agri-business. The goal, eventually, is for the students to produce their own products that SMF can use in their different business platforms.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 	<p>Parents of the students may not necessarily see the short-term value of the SEED Scholarship Program. Some people living in poverty may choose not to go to school so they can work, which leaves them lacking in literacy and numeracy skills.</p> <p>Parents of the students may not necessarily see the value of a 2-year program. Some would opt to have their children work than go to school.</p>	<p>The goal of the SEED Scholarship Program is to help families escape the cycle of poverty.</p> <p>Prior to the implementation of the program, the team conducted a consultation with the local government unit (LGU) to determine the needs of the community for them to better appreciate the value of the program.</p> <p>Considering that Sumilao is an agriculture-based community where most of the population are dependent on agriculture as its main economic activity and as its main source of income, the program was designed to help boost the farming industry and</p>


			develop native products that will carry the brand of the province.
<p><b>San Miguel Foods</b></p> <p>Looc, Mandaue, Canduman, Mandaue, General Trias, Cavite Mariveles, Bataan Binalonan, Pangasinan San Fabian, Pangasinan Gua-an, Iloilo Hagonoy, Davao del Sur</p>	<p><b><i>Happy si Mommy, Malusog si Baby</i></b></p> <p>SMF's health and nutrition intervention program for the first 1000 days of a child's life*.</p> <p>This program includes ultrasounds, as well as learning sessions on proper pregnancy care.</p> <p>SMF also provided nutritious meals from the Department of Science and Technology to supplement the toddlers' nutrition intake.</p> <p>In 2023, this program benefitted 508 women and their infants.</p> <p><i>* The first 1,000 days refers to a child's life from the moment they are conceived until they reach 2 years of age (24 months). This is a time when their brain, body and immune system grows and develops significantly.</i></p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 	<p>Most pregnant women living in poverty have little or no access to pregnancy health education and prenatal services, so they may have a negative perception of the program.</p> <p>Due to poverty, there may also be hesitation to continue the program for fear of the inability to afford prenatal care services such as ultrasound and post-delivery nutrition.</p>	<p>Thoughtful and clear communication of the program to encourage pregnant women to complete the 3-year program.</p> <p>The women received proper consultation for pregnancy care from OB-GYNs and free ultrasounds, which made a huge impact on would-be mothers from indigent families. It was meaningful for them to know the condition of the babies while inside the womb, thereby encouraging them more to continue with the program and learn more about proper nutrition.</p>
<p><b>San Miguel Foods</b></p> <p>Nationwide</p>	<p><b>Animal Nutrition and Health (Feeds and Veterinary Medicine)</b></p> <p>Animal-sourced foods are essential to good health.</p>	<p>Improper use of feeds and veterinary medicine and inadequate care of animal farms due to lack of capacity,</p>	<p>Various training programs are provided to ensure product quality and capacity building. Training includes</p>


	<p>Foods such as eggs and milk provide essential vitamins and minerals. Iron-rich meat helps prevent anemia and other nutrient deficiencies.</p> <p>SMF's animal nutrition and health (ANH) products are essential to ensuring healthy livestock, which then support food supply.</p> <p>In addition to its contributions to food supply, healthier animals have a smaller environmental footprint.</p> <p>SMF's ANH products also help the livelihood of farmers, especially backyard raisers with a few livestock. Protecting animal health can help grow the economy and help a meaningful segment of the population rise out of poverty.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 	<p>information and the like, can pose threats to fence-line communities, contract growers, and end consumers.</p> <p>The use of antibiotics is not a substitute but should be used as a supplement to good sanitation and proper handling of livestock. The excessive use of antibiotics may also give way for the growth of resistant bacteria, potentially harming animals and end consumers.</p>	<p>use of technology and more efficient practices to help increase productivity.</p>
<p><b>San Miguel Brewery Inc.</b></p> <p>Darong, Sta. Cruz, Davao del Sur</p>	<p><b>Community Clinic</b></p> <p>This was established to complement the initiatives of the Department of Health in the area.</p> <p>The purpose is to address the immediate health requirements of SMB's host community in Darong, Sta. Cruz, which is quite a</p>	<p>The community clinic is limited in the number of services it provides, as well as the equipment available.</p>	<p>The clinic is essential to the community it serves to keep the population thereat healthy. Poor health can limit one's ability to work, creating a negative feedback loop sometimes referred</p>



	<p>distance from the municipality’s medical facilities.</p> <p>In 2023, the community clinic assisted over 2,000 patients with hypertension, diabetes, and other generic illnesses.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 		<p>to as the health-poverty trap.</p> <p>In the future, the community clinic may expand the number of services and type of equipment available to diagnose and treat other illnesses.</p>
<p><b>Ginebra San Miguel Inc.</b></p> <p>Distileria Bago, Inc. (DBI) Bago City, Negros Occidental</p>	<p><b>Renewable Energy</b></p> <p>While GSMI continues to rely on conventional energy sources, it has turned to biogas, among the waste materials produced in its distillery’s wastewater treatment facility, to support energy requirements. As a result, about 45% of its total energy is from biogas. The investments made in improving the quality of biogas also helped reduce downtime, leading to an increase in the efficiency of its operations.</p> <p>Aside from biogas, the steam generated from the distillery operations to produce alcohol is used to generate electricity, which powers some parts of the DBI facility.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p>	<p>There may be technical challenges associated with the operation and sustainability of biogas.</p>	<p>GSMI makes it a point to implement periodic preventive maintenance of its machines to avoid downtimes.</p>

			
<p><b>Ginebra San Miguel Inc.</b></p> <p>Coastlines of Guimaras Strait</p>	<p><b>DBI Mangrove Reforestation Area</b></p> <p>DBI is located along the coast lines of Guimaras Strait, an identified Biodiversity Conservation Site in Western Visayas by the DENR.</p> <p>In the mid-1990s, DBI established a Mangrove Reforestation Area near the distillery. The program has had positive impacts in the ecosystem of the area, including the conservation of the natural biodiversity of Guimaras Strait and reduced risk of flooding and soil erosion.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 	<p>Potential negative effects to the initiative are encroachment, illegal harvesting for mangrove barks, competing land-use, funding, and maintaining the health of the mangrove ecosystem.</p>	<p>To mitigate the negative impact, GSMI maintains its commitment to the conservation of the biodiversity of the Guimaras Strait.</p> <p>GSMI conducts tree planting within the vicinity annually, as well as regular clean-up drives in collaboration with the LGU and volunteers from nearby communities.</p> <p>Now measuring 12 hectares, the mangrove forest has an excellent survival rate of ~96%, proving the area has remained healthy.</p>



<p><b>San Miguel Brewery Inc.</b></p> <p>Carmen, Cebu</p>	<p><b>Carmen Mangrove Development Program</b></p> <p>The project records the annual planting of mangrove species along the designated coastlines of Carmen, Cebu. The project is a partnership between and among fishermen associations in the area, the Municipal Agriculturists Office (MAO) and SMB.</p> <p>MAO and SMB provide the mangrove shelters for the fish, while the locals provide seedlings and maintain the mangrove areas.</p> <p>Aside from being a natural refuge and habitat to several wildlife species and marine life, mangrove forests also stabilize the coastline, prevent coastal erosion and protect against threats of water pollution and siltation.</p> <p>The mangroves serve as natural flood defense and reduce damages caused by typhoons, tsunami and sea level rise and tides.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 	<p>Potential negative effects to the initiative are encroachment, illegal harvesting for mangrove barks, competing land-use, funding, and maintaining the health of the mangrove ecosystem.</p>	<p>To mitigate the negative impacts, the growth of mangroves and fishing practices are monitored.</p> <p>Results show favorable impacts. The mangroves have become a natural refuge and habitat to several marine species. In its annual evaluation, MAO reported an improvement in fish and shellfish propagation, which has led to a steady improvement in fish catch. This means better livelihood for the fishermen in the area.</p> <p>There has also been increased mangrove stretch and the preservation of giant clams in the area, according to the fish wardens and MAO.</p>
<p><b>San Miguel Brewery Inc.</b></p> <p>Umapad Landfill Area, Mandaue City</p>	<p><b>Trees Brew Life: Ecopark Development</b></p> <p>This project is an offshoot of the Trees Brew Life Program where SMB employees plant trees</p>	<p>The ecopark was once a dumpsite that was converted into an ecopark due to the efforts of the Mandaue City</p>	<p>Effective communication of the benefits of the ecopark to encourage the community to participate in</p>

	<p>annually as part of SMB’s commitment to save the environment. It is an initiative done in partnership with the Mandaue City government.</p> <p>Employees planted trees to kick-off the shading of the 3-hectare allocation for a recycling park where materials that will be used will be primarily from recycled materials. The area will also enable SMB to showcase its efforts on recovering and reusing some materials that are considered as recyclable.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 	<p>government to clean up the area.</p> <p>Since the immediate community relied on the dumpsite as their main livelihood; i.e., through scavenging, there may be resistance to the conversion of the dumpsite and lack of motivation to support SMB’s tree planting and recycling project.</p>	<p>maintaining the area, as well as the importance of keeping a clean environment and reducing waste.</p>
<p><b>San Miguel Brewery Inc.</b></p> <p><b>Ginebra San Miguel Inc.</b></p> <p>Nationwide</p>	<p><b>Use of recyclable packaging</b></p> <p>Alcoholic beverages use glass bottles as packaging and these are collected for re-use in production.</p> <p>There is a returnable glass bottle (RGB) system for beer products and a bottle retrieval network for our spirits products. These returnable glass bottles are used for approximately 40 to 60 cycles over a span of approximately five to 10 years for SMB’s beer products with over 90% of the bottles needed for production sourced from the returned bottles via the RGB system.</p>	<p>The practice of recycling and using glass cullets in the manufacture of new packaging materials keep the negative impacts of repeatedly sourcing raw materials to a minimum.</p>	<p>See Impacts and Risks and Management Approach on Materials for details.</p>

	<p>GSMI, on the other hand, uses second-hand bottles supplied through the bottle retrieval program. GSMI's bottle retrieval rate through this system is around 70%.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 		
<p><b>Ginebra San Miguel Inc.</b></p>	<p>GSMI, in partnership with TESDA, provides training on bartending and basic business skills. The program, Ginebra San Miguel Technopreneur Program, renewed its partnership with TESDA and created Ginebra San Miguel Bar Academy which aims to expand the number of scholars.</p> <p><b>This program is aligned with Sustainable Development Goals</b></p> 	<p>Alcohol abuse</p>	<p>Responsible drinking is integrated in the syllabus of TESDA training for GSMI scholars.</p>