CR02341-2022

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended
   Dec 31, 2021
2. SEC Identification Number
   11840
3. BIR Tax Identification No.
   000-100-341-000
4. Exact name of issuer as specified in its charter
   SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City, Metro Manila
   Postal Code
   1604
8. Issuer's telephone number, including area code
   (632) 5317-5000
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES (FB)	5,909,220,090
SERIES A BONDS DUE MARCH 2025 (IN PESO)	8,000,000,000.00
SERIES B BONDS DUE MARCH 2027 (IN PESO)	7,000,000,000.00
TOTAL DEBT as of Dec. 31, 2021 (IN MIL PESO-CONSO)	152,162

11. Are any or all of registrant's securities listed on a Stock Exchange?

- [x] Yes
- [ ] No

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE, INC. – COMMON SHARES PHILIPPINE DEALING & EXCHANGE CORP. – SERIES A BONDS DUE 2025; SERIES B BONDS DUE 2027

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

- [x] Yes
- [ ] No

(b) has been subject to such filing requirements for the past ninety (90) days

- [x] Yes
- [ ] No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

Php 41,010,499,888 as of March 31, 2022

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

- [x] Yes
- [ ] No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

SAN MIGUEL
FOOD AND BEVERAGE, INC.

San Miguel Food and Beverage, Inc.
FB

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2021
Currency	PHP (in Millions)

Balance Sheet

	Year Ending	**Previous Year Ending**
	Dec 31, 2021	Dec 31, 2020
Current Assets	118,330	103,040
Total Assets	297,624	276,282
Current Liabilities	79,262	84,309
Total Liabilities	152,162	144,463
Retained Earnings/(Deficit)	79,491	69,735
Stockholders' Equity	145,462	131,819
Stockholders' Equity - Parent	93,437	82,406
Book Value Per Share	15.81	13.95

Income Statement

	Year Ending	**Previous Year Ending**
	Dec 31, 2021	Dec 31, 2020
Gross Revenue	309,778	279,290
Gross Expense	266,083	245,878
Non-Operating Income	664	698
Non-Operating Expense	3,557	2,322
Income/(Loss) Before Tax	40,802	31,788

Income Tax Expense	9,385	9,387
Net Income/(Loss) After Tax	31,417	22,401
Net Income/(Loss) Attributable to Parent Equity Holder	19,791	12,476
Earnings/(Loss) Per Share (Basic)	3.35	2.08
Earnings/(Loss) Per Share (Diluted)	-	-

Financial Ratios

	Formula	**Fiscal Year Ended**	**Previous Fiscal Year**
		Dec 31, 2021	Dec 31, 2020
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	1.49	1.22
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.81	0.68
Solvency Ratio	**Total Assets / Total Liabilities**	1.96	1.91
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.26	0.28
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.54	0.59
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	13.14	9.07
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	2.05	2.1
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.29	0.28
Net Profit Margin	**Net Profit / Sales**	0.1	0.08
Return on Assets	**Net Income / Total Assets**	0.11	0.08
Return on Equity	**Net Income / Total Stockholders' Equity**	0.22	0.17
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	21.32	32.28

Other Relevant Information

Please see attached SEC Form 17-A (Annual Report) of the Company filed with the Securities and Exchange Commission via email at ictdsubmission@sec.gov.ph on April 19, 2022.

Filed on behalf by:

Name	Alexandra Trillana
Designation	Corporate Secretary and Compliance Officer

SEC COPY

COVER SHEET

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S. E. C. Registration Number

	S	A	N		M	I	G	U	E	L		F	O	O	D				
	A	N	D		B	E	V	E	R	A	G	E	,	I	N	C	.		

(Company's Full Name)

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	A	V	E	N	U	E		C	-	5		R	O	A	D	,			
	B	A	R	A	N	G	A	Y		U	G	O	N	G					
	P	A	S	I	G		C	I	T	Y		1	6	0	4				
	M	E	T	R	O		M	A	N	I	L	A							

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

ALEXANDRA B. TRILLANA
Contact Person

(632) 5317-5450
Company Telephone Number

ANNUAL REPORT

Month | Day

S	E	C	-	1	7	-	A

FORM TYPE

Month | Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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STAMPS

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Remarks = pls. Use black ink for scanning purposes

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SEC Number 11840
File Number

SAN MIGUEL FOOD AND BEVERAGE, INC. and SUBSIDIARIES

(Company's Full Name)

100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

(Company's Address)

5317-5000

(Telephone Number)

December 31

(month & day)

SEC Form 17-A Annual Report

Form Type

Amendment Designation (if applicable)

December 31, 2021

Period Ended Date

(Secondary License Type and File Number)

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SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **December 31, 2021**

2. SEC Identification Number **11840**

3. BIR Tax Identification No. **000-100-341-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL FOOD AND BEVERAGE, INC.**

5. **Philippines**
   Province, country or other jurisdiction
   of incorporation or organization

6. _____ SEC Use Only
   Industry classification code

7. **100 E. Rodriguez Jr. Avenue (C-5 Road)**
   Barangay Ugong, Pasig City
   Address of principal office
   1604
   Postal Code

8. **(02) 5317-5000**
   Issuer's telephone number, including area code

9. **NOT APPLICABLE**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Stock Issued and Outstanding and Debt Outstanding (As at December 31, 2021)
Common - ₱ 1 par value	**5,909,220,090**
Series A Bonds due March 2025 (In Peso)	**8,000,000,000**
Series B Bonds due March 2027 (In Peso)	**7,000,000,000**
Total Liabilities (in '000,000)	**P152,162**

11. Are any or all securities listed on the Philippine Stock Exchange?

    Yes (✓) No (   )

    If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange	**Common shares**
Philippine Dealing & Exchange Corp.	**Series A Bonds due 2025**
Philippine Dealing & Exchange Corp.	**Series B Bonds due 2027**

12. Check whether the issuer:

    a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder, and Sections 26 and 177 of the Revised Corporation Code of the Philippines during the preceding 12 months (or such shorter period that the registrant was required to file such reports):

    Yes (✓) No (   )

b) Has been subject to such filing requirements for the past 90 days:

Yes (✓) No ( )

13. Aggregate market value (in '000,000) of the voting stocks held by non-affiliates as at December 31, 2021 and March 31, 2022 were P47,419 and P41,010, respectively.

Documents incorporated by reference

14. The following documents are incorporated by reference:

None

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

San Miguel Food and Beverage, Inc., formerly San Miguel Pure Foods Company Inc. (the "Company" or "SMFB"), was incorporated in 1956 to engage primarily in the business of manufacturing and marketing of processed meat products. The Company, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising and young animal ration manufacturing and distribution, and starting in the last quarter of 2013, grain terminal handling.

The Company has been listed on the Philippine Stock Exchange, Inc. ("PSE") since 1973 and the Philippine Dealing & Exchange Corp. ("PDEx") since 2020.

In early 2018, the Company amended its primary purpose and changed its corporate name to the present one to reflect its expansion into the alcoholic and non-alcoholic beverage business. The Securities and Exchange Commission ("SEC") approved the changes on March 23, 2018.

On June 29, 2018, the SEC approved the increase in authorized capital stock of the Company, by virtue of which the Company issued new common shares to its intermediate parent San Miguel Corporation ("SMC") in exchange for SMC's common shares in San Miguel Brewery Inc. ("SMB") and Ginebra San Miguel Inc. ("GSMI"), completing the consolidation of the food and beverage businesses of SMC under the Company.

As a result of the consolidation, the Company is now also engaged in the manufacture, sale and distribution of alcoholic and non-alcoholic beverages.

The Company and its subsidiaries (collectively referred to as the "Group") is a leading food and beverage company in the Philippines. The brands under which the Company produce, market and sell its products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. Key brands in the SMFB portfolio include *San Miguel Pale Pilsen*, *San Mig Light* and *Red Horse* for beer, *Ginebra San Miguel* for gin, *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats, *Purefoods* and *Purefoods Tender Juicy* for refrigerated prepared and processed meats and canned meats, *Star* and *Dari Crème* for margarine and *B-Meg* for animal feeds.

The Company has three primary operating segments—(i) Beer and non-alcoholic beverages ("NAB"), (ii) Spirits, and (iii) Food. The Beer and NAB segment and the Spirits segment comprise the beverage business. The Company operates its beverage business through SMB and its subsidiaries (collectively, SMB or the "Beer and NAB Segment") and GSMI and its subsidiaries (collectively, GSMI or the "Spirits Segment"). The Food segment is managed through a number of other subsidiaries engaged in the food and animal feeds businesses (the "Food Segment"), including San Miguel Foods, Inc., Magnolia Inc., and The Purefoods-Hormel Company, Inc. SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to almost 70 markets worldwide.

Beer and NAB Segment
The Beer and NAB Segment is the largest producer of beer in terms of both sales and volume in the Philippines, offering a wide array of beer products across various segments and markets. Top beer brands in the Philippines include *San Miguel Pale Pilsen, Red Horse, San Mig Light* and *Gold Eagle.* Its flagship brand, *San Miguel Pale Pilsen*, has a history of over 130 years and was first produced by *La Fabrica de Cerveza de San Miguel*, which started as a single brewery producing a single product in 1890 and has evolved through the years to become the diversified conglomerate that is SMC. The Beer and NAB Segment also produces NAB such as ready-to-drink tea, ready-to-drink juice, water and carbonates.

In 2009, Kirin Holdings Company, Limited ("Kirin") acquired a 48.39% shareholding in SMB, of which 43.249% was acquired from SMC and the remaining 5.141% by virtue of a mandatory tender offer and purchase from public shareholders. SMC retained majority ownership of SMB with a shareholding of 51.0%. In connection with Kirin's investment in SMB, Kirin and SMC entered into a shareholders'

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agreement providing for, among others, corporate governance and approvals, cooperation in the conduct of the business, restrictions on the transfer of SMB shares and other customary arrangements. SMFB adhered to the shareholders' agreement with Kirin and agreed to be bound by the same terms and conditions as a party to the said shareholders' agreement. As of December 31, 2021, SMFB owns 51.16% and Kirin owns 48.54% of SMB.

In 2015, SMB acquired the NAB business from GSMI, which acquisition included property, plant and equipment, finished goods, and inventories such as containers on hand, packaging materials, goods-in-process and raw materials used in the NAB business. The acquisition is in line with the multi-beverage strategy of SMB that seeks to expand its product portfolio in the NAB market, among others. This transfer will also benefit from SMB's Returnable Glass Bottle system, strong distribution network and competitive positioning.

Spirits Segment
The Spirits Segment is a leading spirits producer in the Philippines and the largest gin producer internationally by volume. It is the market leader in gin and Chinese wine in the Philippines. GSMI produces some of the most recognizable spirits in the Philippine market, including gin, Chinese wine, brandy, vodka, rum and other spirits. Ginebra traces its roots to a family-owned Spanish era distillery that introduced the *Ginebra San Miguel* brand in 1834. The distillery was then acquired by La Tondeña Incorporada in 1924, and thereafter by SMC in 1987 to form La Tondeña Distillers, Inc. In 2003, the company was renamed Ginebra San Miguel Inc. in honor of the pioneering gin brand.

GSMI is a public company listed on the PSE under the stock symbol "GSMI". On December 1, 2020, GSMI's Board of Directors approved the redemption and payment of 32,786,885 preferred shares held by SMC in GSMI on January 4, 2021. The said redemption resulted to the increase in SMFB's ownership in GSMI from 67.99% to 75.78% as of December 31, 2021.

Food Segment
The Food Segment holds market-leading positions in many key food product categories in the Philippines and offers a broad range of high-quality food products and services to household, institutional and food service customers. The Food Segment has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats, *Purefoods Tender Juicy* for hotdogs, *Purefoods* for other refrigerated processed meats, ready-to-eat cooked meals, canned meats and seafood lines, *Veega* for plant-based protein food products, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, and *B-Meg* for animal feeds.

The Food Segment has a diversified product portfolio that ranges from branded value-added refrigerated meats and canned meats, ready-to-eat cooked meals, seafood, plant-based protein, butter, margarine, cheese, milk, ice cream, salad aids, flour mixes, and coffee products (collectively "Prepared and Packaged Food") to integrated feeds ("Animal Nutrition and Health"), poultry and fresh meats ("Protein"), as well as flour milling, grain terminal handling, foodservice, and international operations ("Others").

Products and Brands

Beer and NAB Segment
SMB's product portfolio has grown over the years from a single product produced in a single brewery in 1890.

SMB markets its beer under the following brands: *San Miguel Pale Pilsen*, which is the company's flagship brand, *Red Horse, Red Horse Super, San Mig Light, San Miguel Flavored Beer, San Miguel Super Dry, San Miguel Premium All-Malt, Cerveza Negra*, *San Mig Zero, San Mig Free* and *Gold Eagle*. SMB also exclusively distributes *Kirin Ichiban* in the Philippines.

For the NAB business, SMB's portfolio includes *Magnolia Healthtea* (ready-to-drink tea), *Magnolia Fruit Drink* (ready-to-drink juice), as well as *Cali*, a sparkling malt-based non-alcoholic drink.

San Miguel Brewing International Limited and its subsidiaries ("SMBIL") also offer the *San Miguel Pale*

Pilsen and *San Mig Light* brands in Hong Kong, China, Thailand, Vietnam, Indonesia, and most export markets, *Red Horse* in Thailand, China, Hong Kong, Vietnam and selected export markets, *San Mig Zero* in Thailand, *San Miguel Flavored Lychee Beer* in Vietnam, *San Miguel Cerveza Negra* in Hong Kong, China, Vietnam, Indonesia, United States, Thailand, South Korea and Taiwan, as well as *San Miguel Cerveza Blanca* in Hong Kong, Thailand, Vietnam, South Korea, Singapore and Taiwan in addition to locally available brands: *Valor* and *Blue Ice* (Hong Kong), *Dragon* (South China), *W1N Bia* (Vietnam), and *Anker* and *Kuda Putih* (Indonesia).

Spirits Segment
GSMI has a diverse product portfolio that caters to the varied preference of the local market. Core brands *Ginebra San Miguel* and *Vino Kulafu*, the leading brands in the gin and Chinese wine categories, accounted for 96% of GSMI's total revenues. The other products that complete the liquor business of GSMI comprise about 4% of its total revenues. These products are available nationwide while some are exclusively exported to select countries.

GSMI products are exported to markets with high concentration of Filipino communities such as the United Arab Emirates, Taiwan, Hong Kong, Canada and the United States as well as Vietnam, Korea and India. GSMI also produces certain brands that are for export only such as *Ginebra San Miguel Premium Gin Black* and *Tondeña Manila Rum*. In addition, distilled spirits are produced and sold in Thailand through Thai San Miguel Liquor Company Limited, and distributed by Thai Ginebra Trading Company Limited.

With the onset of the coronavirus disease 2019 ("COVID-19") pandemic in early March 2020, GSMI pivoted its production facilities to produce ethyl alcohol and donated over 1.3 million liters around the country. In the third quarter of 2020, GSMI commercially launched *San Miguel Ethyl Alcohol* to supply disinfectant alcohol in the local market as well as help stabilize the price.

Food Segment
The Food Segment produces a wide range of food products. Its brand portfolio includes some of the most recognizable and well-regarded brands in the Philippines, such as *Magnolia, Monterey, Purefoods, Purefoods Tender Juicy, Star, Dari Crème, San Mig Super Coffee* and *B-Meg*.

The discussion below presents the key operating subsidiaries, products, brands and services for each of the primary businesses of the Food Segment: Prepared and Packaged Food, Animal Nutrition and Health, Protein and Others.

Prepared and Packaged Food
The Prepared and Packaged Food business includes refrigerated meats, canned meats, dairy, ice cream, spreads, and coffee.

The major operating subsidiaries for the Prepared and Packaged Food business are The Purefoods-Hormel Company, Inc. ("PHC"), Magnolia Inc. ("Magnolia") and San Miguel Super Coffeemix Co., Inc. ("SMSCCI"). PHC, a 60:40 joint venture with Hormel Netherlands, B.V., produces and markets value-added refrigerated processed meats and canned meat products. The joint venture agreement, which was entered into in 1998, sets out the parties' agreement as shareholders of PHC, including, among others, provisions on technical assistance and sharing of know-how, the use of trademarks, fundamental matters requiring shareholder or Board approval, exclusivity covenants, and restrictions on the transfer of PHC shares.

Value-added refrigerated meats include hotdogs, nuggets, bacon, hams, and other ready-to-eat meal and meat free products, which are sold under the brand names *Purefoods, Purefoods Tender Juicy, Star, Higante, Purefoods Beefies, Vida, Purefoods Nuggets* and *Veega*. Canned meats, such as corned beef, luncheon meats, sausages, sauces, meat spreads, ready-to-eat viands and tuna, are sold under the *Purefoods, Star, Ulam King* and *San Miguel Del Mar* brands.

The dairy and spreads business, primarily operated through Magnolia, manufactures and markets a variety of bread spreads, milk, ice cream, salad aids, and flour mixes. The company rationalized its jelly-based snacks, biscuits, and cooking oil product lines during the year as it streamlined its product portfolio. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese sold primarily under the *Magnolia, Dari Crème, Star,* and *Cheezee* brands. Dairy products include ready-to-drink milk, ice cream and all-purpose cream under the *Magnolia* brand. Flour mixes and salad aids like mayonnaise and dressings, are likewise marketed and sold under the *Magnolia* brand. The margarine brands, *Star* and *Dari Crème*, established in 1931 and 1959 respectively, were acquired in the 1990s. Magnolia also marketed jelly-based snacks under the *JellYace* brand, until said trademark and other trademarks used in the jelly-based snacks business were divested in May 2021. Moreover, Magnolia manufactured and sold biscuits under the *La Pacita* brand until it ceased operations at its manufacturing facility in October 2021.

The coffee business under SMSCCI is a 70:30 joint venture between SMFB and a Singaporean partner, Jacobs Douwe Egberts RTL SCC SG Pte. Ltd. ("JDE"), formerly Super Coffee Corporation Pte. Ltd. SMSCCI imports, packages, markets, and distributes coffee mixes in the Philippines.

Animal Nutrition and Health

The Animal Nutrition and Health business produces integrated feeds and veterinary medicines.

The operating subsidiary for the Animal Nutrition and Health business is San Miguel Foods, Inc. ("SMFI"). Commercial feed products include hog feeds, layer feeds, broiler feeds, gamefowl feeds, aquatic feeds, branded feed concentrates, and specialty and customized feeds. These feeds are sold and marketed under various brands such as *B-Meg, B-Meg Premium, Integra, Expert, Dynamix, Essential, Pureblend, Bonanza* and *Jumbo.* SMFI likewise produces and sells dog food under the *Nutri Chunks* brand.

Protein

SMFI is also the operating subsidiary for the Protein business, which sells poultry and fresh meats products.

The poultry business operates a vertically-integrated production process that spans from breeding broilers to producing and marketing chicken products, primarily for retail. Its broad range of chicken products is sold under the *Magnolia* brand, which includes fresh-chilled or frozen whole and cut-up products. A wide variety of fresh and easy-to-cook products are sold through *Magnolia Chicken Stations*. The poultry business also sells customized products to foodservice and export clients, supplies supermarket house brands, serves chicken products to wet markets through distributors, and sells live chickens to dealers.

The fresh meats business breeds, grows and processes hogs and trades beef and pork products. Its operations include slaughtering live hogs and processing beef and pork carcasses into primal and sub-primal meat cuts. These specialty cuts and marinated products are sold in neighborhood meat shops under the well-recognized *Monterey* brand name.

Others

Flour milling, the manufacture and marketing of premixes and baking ingredients, foodservice, and international operations, are categorized under Others. The bulk of this segment is accounted for by the Company's flour milling business and grain terminal operation.

The flour milling business operates under San Miguel Mills, Inc. ("SMMI"). SMMI owns Golden Bay Grain Terminal Corporation, which provides grain terminal, warehousing services and grain handling services (e.g. unloading, storage, bagging, and outloading) to clients, and Golden Avenue Corp., which holds investment in real property.

The flour milling business offers a variety of flour products that includes bread flour, noodle flour, biscuit and cracker flour, all-purpose flour, cake flour, whole wheat flour, customized flour and flour premixes, such as pancake mix, cake mix, brownie mix, *pan de sal* mix, and *puto* (or rice cake) mix. The business pioneered the development of customized flours for specific applications, such as noodles and *pan de sal*, a soft bread commonly eaten in the Philippines for breakfast. Flour products are sold under brand names which enjoy strong brand loyalty among its institutional clients and other intermediaries, such as bakeries and biscuit manufacturers.

The international operations of the Food Segment are located in Vietnam and Indonesia. San Miguel Foods Investment (BVI) Limited, which operates San Miguel Pure Foods (Vn) Co., Ltd. in Vietnam, is a wholly-owned subsidiary of San Miguel Foods International, Limited. It is in the business of production

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and marketing of processed meats which are sold under the *Le Gourmet* brand. PT San Miguel Foods Indonesia (formerly PT Pure Foods Suba Indah) is a 75:25 joint venture with PT Hero Intiputra of Indonesia. It was likewise engaged in the production and sale of processed meats, which it sold under the *Farmhouse* and *Vida* brands, until it ceased operations on October 31, 2021.

The foodservice business of the Food Segment is handled by Great Food Solutions ("GFS"), a group under SMFI. GFS, which services institutional accounts such as hotels, restaurants, bakeshops, fast food and pizza chains, was established in 2002 and is one of the largest foodservice providers in the Philippines. It markets and distributes foodservice formats of the value-added meats, dairy, oil, flour and coffee businesses. In turn, GFS receives a development fee from these businesses for selling their products to foodservice institutional clients.

The Food Segment previously ventured into the franchising business to serve as contact points with consumers, a trial venue for new product ideas and a channel to introduce product applications for its products. The franchising business, also a group under SMFI, followed a convenience store model under the *Treats* brand, most of which stores are located in Petron service stations. *Chick 'n Juicy* was the latest addition to the Food Segment's franchising roster. Launched in February 2019, *Chick 'n Juicy* gives its own take on the popular roast chicken, fried chicken, fried *isaw*, and hard-boiled eggs, with top quality meats using the *Magnolia* brand. In March 2021, the assets and intellectual property rights used in SMFI's convenience store business operating under the *Treats* trademark were sold to Petron Corporation. In June 2021, the assets used in *Chick 'n Juicy* outlets were assigned to operators of such outlets enabling them to operate their stores more efficiently.

The list of products of the Group is attached hereto as **Annex "D"**.

Percentage of Sales Contributed by Foreign Operations

The Group's 2021 foreign operations contributed about 3.94% of consolidated sales.

Distribution Methods of Products and Services

Beer and NAB Segment

SMB markets, sells and distributes its products principally in the Philippines. SMB owns and operates seven strategically located production facilities across the country (Valenzuela City, Metro Manila; Sta. Rosa, Laguna; San Fernando City, Pampanga; Mandaue City, Cebu; Bacolod City, Negros Occidental; Darong, Sta. Cruz, Davao del Sur, and Tagoloan, Misamis Oriental) with an aggregate production capacity of approximately 21 million hectoliters per year and overall utilization rate of approximately 70% in 2021 given the lower volumes on account of the effects of the resurgence of COVID-19 pandemic-related restrictions in the business and operations of the company in 2021.

SMB believes that it maintains an extensive and efficient distribution system in the Philippines, which encompasses the seven strategically located production facilities across the country and a broad network of sales offices and warehouses, supported by dealerships and third party service providers. The strategic locations of SMB's production facilities in the Philippines reduce overall risks by having alternative product sources to avert possible shortages and meet surges in demand in any part of the country, and help ensure that the products are freshly delivered to customers at an optimal cost. SMB's products are delivered from any one of the SMB's seven production facilities by contract haulers and, in certain circumstances, by a fleet of boats, to retailers and consumers generally within five to seven days from production in the facilities, ensuring the quality and sufficient stocks wherever and whenever San Miguel products are needed. As of December 31, 2021, the Company's products are distributed and sold at approximately 500,000 outlets, including off-premise, on-premise and e-premise, through over 50 sales offices and approximately 500 dealers throughout the Philippines.

SMB also formed a key accounts group to handle accounts management and business development of modern trade accounts such as hypermarkets and convenience stores, and to increase visibility in selected on-premise outlets. Field sales operations, on the other hand, are responsible for the servicing requirements of these accounts.

SMB's NAB products are manufactured by SMB. Distribution of non-alcoholic products utilizes the same network and channels as SMB's beer products and the sales organization and systems were enhanced to meet the requirements of SMB's multi-beverage business.

As of December 31, 2021, SMB, together with its dealers and accounts specialists, had a sales force of approximately 1,800 in the Philippines.

SMB likewise operates delivery services in Metro Manila and selected cities through the "8632-BEER" (8632-2337) hotline delivery program and online platform, SMB Delivers (www.smbdelivers.com), that allow customers to place their orders by calling, text messaging or ordering online. The delivery services enable SMB to tap into emerging segments such as the online market and consumers located at home or in other private spaces that prefer to directly place orders for beer.

International operations are conducted in Hong Kong, China, Vietnam, Thailand and Indonesia through SMBIL, a subsidiary of SMB. Subsidiaries of SMBIL include San Miguel Brewery Hong Kong Limited, which is listed on The Stock Exchange of Hong Kong Limited, and PT Delta Djakarta Tbk, which is listed on the Indonesia Stock Exchange.

SMBIL and its subsidiaries (the "SMBIL Group") has one brewery each in Indonesia, Vietnam, Thailand, Hong Kong and China, with an aggregate production capacity of approximately 4.6 million hectoliters per year as of December 31, 2021. Third party service providers transport the products produced from these breweries to the customers, consisting of dealers, wholesalers, retail chains or outlets, depending on the market. The SMBIL Group maintains a total sales force of approximately 370 employees in the said five countries with 10 sales regions in China (Guangzhou, Greater Foshan), six in Indonesia, seven in Thailand, and five in Vietnam. In Thailand, all local sales are done through the San Miguel Beer (Thailand) Limited's marketing arm, San Miguel Marketing (Thailand) Limited, a subsidiary of SMBIL.

In addition, SMBIL also exports its beer products to approximately 70 countries and territories globally in North America, South America, Europe, Africa, the Middle East, Australia and the rest of Asia. Exports are primarily sold under various beer brands as well as under private labels.

Spirits Segment
GSMI primarily distributes majority of its products nationwide to consumers through territorial distributorship by a network of dealers and through their sales offices strategically situated across the country. Furthermore, some off-premise outlets such as supermarkets, grocery stores, sari-sari stores and convenience stores, as well as on-premise outlets such as bars, restaurants and hotels are directly served by GSMI through its Key Accounts Group. GSMI has 91 dealer sites who are responsible for distributing and selling the company's products within a geographical area consisting of specified outlets and 12 sales offices as of year-end 2021. For areas where there are no appointed dealers, GSMI's sales offices directly serve the wholesalers or retailers. Recently, GSMI has also made its products available in popular e-commerce selling platforms to further widen distribution reach and channel.

Meanwhile, GSMI's Logistics Group is responsible for planning, coordination and delivery of products from the plants to various sales offices, dealers, wholesalers and select directly-served retailers. Thereafter, products are sold by trade partners to a multitude of retail touch points and eventually to consumers nationwide and to a limited extent, internationally.

Most product deliveries to dealers are made through third-party haulers while GSMI-owned routing trucks are generally utilized for directly-served outlets. GSMI also engages third-party service providers to handle warehouse management and delivery to various destination points as the need arises.

Food Segment
The Food Segment sells its products through three channels, namely, general trade, modern trade and institutional accounts. General trade channels include traditional trade markets in the Philippines, such as small grocery stores, wholesalers and dealers, bakeries, wet markets and *mom* and *pop* stores. Modern trade channels include hypermarkets, supermarkets and convenience stores. Institutional accounts include quick service restaurants and hotels, bakeshop chains, food manufacturers, large commercial farms and exports. Prepared and Packaged Food products are also exported to Asia, North America and Europe mainly to supply Filipino communities abroad.

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Prepared and Packaged Food
San Miguel Integrated Sales, a group under SMFI, handles the sale and distribution of products under the Prepared and Packaged Food business through modern trade channels (e.g., major supermarket chains, hypermarkets, convenience stores). For certain general trade channels (e.g., small groceries, wet market traders, as well as mom and pop stores), the subsidiaries under the Prepared and Packaged Food business, through San Miguel Integrated Sales, engage third-party distributors for the marketing of their products. GFS, on the other hand, distributes the Prepared and Packaged Food business' products to institutional and foodservice operators, such as hotels, restaurants, fast food chains, food kiosks and carts.

Domestic distribution is handled by the outbound logistics group, which manages planning, technical logistics services, warehousing and transportation, while the international business handles exports to serve Filipino communities in Asia, North America, the Middle East and Europe.

Animal Nutrition and Health
The Animal Nutrition and Health business produces animal and aquatic feeds for both the Food Segment's internal requirements and for the commercial feeds market. Feeds supplied to the Protein business are not included in the revenue or volume sold of the Animal Nutrition and Health business.

Majority of the products are sold through authorized distributors within a defined territory, while a small portion is sold directly to hog, poultry and aquatic farm operators. For the sale of commercial feeds products, there are sales offices across the Philippines with dedicated sales teams supported by technical experts focused on growing existing markets and developing new ones.

Protein
To ensure product availability at all times, the Protein business maintains a sales force to handle the selling of their products to major accounts like supermarkets, hypermarkets and meat shops, and engages third-party distributors to handle the selling of their products to groceries and wet markets. In addition, the Protein business supplies a portion of the requirements of the Prepared and Packaged Food business.

Majority of the Protein business' products are distributed directly from production facilities to supermarkets and foodservice operators. The distribution infrastructure includes a network of cold storage facilities located throughout the Philippines and a large fleet of third-party contracted vehicles.

Others
The sales force of SMMI handles the marketing and selling of flour to large institutional users, while its dealers take care of selling flour products to the general trade customers.

Status of Any Publicly-Announced New Product or Service

Beer and NAB Segment
In 2021, SMB launched *Red Horse Super*, the strongest locally-produced beer in the market.

SMB also introduced new packaging innovations such as the limited-edition *San Miguel Pale Pilsen IconiCan* with six-pack carrier, as well as applied color label bottles for *San Miguel Flavored Beer* and *Magnolia HealthTea Apple*.

Following its successful launch in Hong Kong and Thailand in 2020, SMBIL expanded the availability of *San Miguel Cerveza Blanca* to Vietnam, South Korea, Singapore and Taiwan in 2021. Aside from its loose bottle and can formats, multipacks were also introduced in major retail chains to capitalize on modern off-premise channel growth in these markets.

Spirits Segment
In June 2021, GSMI launched *1834 Premium Distilled Gin*. This latest gin creation pays homage to the era that marked the year when the Philippines opened its port to world trade, which era was a period of new discoveries and renewed culture. This carefully crafted blend is uniquely Filipino, with the classic juniper berries and a kick of citrus, infused with Philippine botanicals such as sampaguita and calamansi.

GSMI also launched, in October 2021, a *San Miguel Ethyl Alcohol* large-format packaging variant (1-Gallon) to better serve the disinfectant alcohol needs of bigger families and institutional customers. Customers with bulk requirements may likewise choose to purchase the product directly from GSMI. *San Miguel Ethyl Alcohol* is available in 250mL, 500mL, 1 Liter, and 20 Liter bottles/containers.

Food Segment
The Food Segment launched a variety of new products in 2021 that were aligned with the objective of providing delicious and convenient assortment to Filipino families.

New *Purefoods* ready-to-eat variants like *Chicken Caldereta*, *Chicken Curry*, *Pininyahang Manok* and *Beef Mechado* were introduced in the first quarter and further strengthened the portfolio of *Purefoods* in this emerging market. Launched by the third quarter were high-value offerings like *Purefoods Deli Breakfast Sausage* and *Purefoods Deli Beef Bacon*, with the latter enabling the company to enter important African Swine Fever-restricted regions in Visayas and Mindanao. PHC's wet market portfolio was also expanded during this time with the introduction of *Purefoods Sweet & Spicy Beef Tapa* and *Purefoods Hot & Spicy Chicken Tapa*, both of which are first-in-the market variant innovations.

PHC continued to develop its plant-based portfolio headlined by the *Veega* brand. In October 2021, *Veega* introduced new offerings like *Tapa*, *Tocino* and *Adobo Flakes*, as well as *Spicy Soy Garlic Balls* and *Bulgogi* in microwaveable trays.

Before the year ended, PHC launched *Tender Juicy Cheesy Corndog* in 540g bags and re-launched *Purefoods Crispy Fried Chicken* 500g in selected supermarkets nationwide.

Magnolia entered the retail market of the salad aids category with the introduction of *Magnolia Real Mayonnaise*, *Magnolia Creamy Chicken Spread* and *Magnolia Sandwich Spread*, which come in a convenient 80mL, 220mL and 470mL stand up pouch and 30g sachet format.

Further, Magnolia transitioned its ice cream business from an economy line to a premium line with products made from an improved formulation with fresh carabao's milk, certified pure and with no artificial flavors. Along with the rebranding to *Magnolia Gold Label*, the company launched new flavors *Choco Peanut Butter* and *Smores*.

SMSCCI entered the premium coffee segment with the launch of *Moccona* instant coffee (*Classic Medium Roast, Roasted Hazelnut, Indulgence, Espresso* and *Classic Dark Roast*) and coffeemixes (*Latte, Cappuccino* and *White Espresso*), as well as the launch of a line of capsules/pods under the *L'Or* brand (*Profundo, Supreme, Ristretto, Papua New Guinea, Columbi* and *India*), through a distributorship arrangement with the company's joint venture partner JDE.

Finally, SMFI introduced nine new *Magnolia Chicken Timplados* products, developed to provide stress-free meal planning for busy moms. From classic favorites such as *Chicken BBQ, Inasal* and *Tocino*, to bolder flavor offerings such as *Spicy Wings* and *Oriental Wings*, each *Magnolia Chicken Timplados* is ready-to-cook and packed fresh in company plants in *Selyado Sigurado* packs for delicious, safe and easy chicken-*sarap* meals for the whole family.

Competition

The Company, known in the market for its portfolio of leading and well-recognized brands, is regarded as one of the leaders in the food and beverage industry.

The following are the major competitors of the Group's businesses:

Beer and NAB Segment
In the Philippine beer market, SMB's major competitors are Asia Brewery Inc. ("ABI") and Heineken International B.V. ("Heineken").

Heineken previously had a joint venture with ABI which was dissolved in 2020 and replaced with a new partnership. Under the new structure, Heineken will establish a sales and marketing office in Manila and will engage ABI to brew and distribute Heineken beer brands (*Heineken and Tiger)* in the country effective January 1, 2021.

Meanwhile, ABI competes mainly through licensed *Colt 45*, a strong alcohol brand which is positioned against SMB's strong alcohol beer *Red Horse,* and local *Beer na Beer* (regular and strong variants) in the economy segment and *Brew Kettle* in the mainstream segment. It is also the exclusive distributor of *Asahi Super Dry* in the country.

ABI also offers *Tanduay Ice* which is a line of alcopop beverages positioned similar to beer. In 2021, ABI expanded its portfolio with the introduction of *Brew Kettle Radler* and *Spritz Hard Seltzer*.

Competition from imported beers and local craft beers is minimal. These products comprise a small proportion of the market and are primarily found in upscale hotels, bars, restaurants and supermarkets in Metro Manila and other key cities.

SMB's beer products also compete with other alcoholic beverages, primarily brandy, gin, rum and alcopops which are close substitutes to beer. In the beer industry - and more generally the alcoholic beverage industry - competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences. SMB believes that its market leadership, size and scale of operations and extensive distribution network in the Philippines provide SMB with significant competitive advantages in the country.

In the NAB market, SMB faces competition from established players and brands in ready-to-drink juice and ready-to-drink tea. For example, *Zest-O* and *Minute Maid Fresh* compete with *Magnolia Fruit Drink. C2* and *Nestea* compete with *Magnolia Healthtea,* while *Cali* is positioned in the softdrinks category where *Coke, Pepsi* and *RC Cola* are the key players.

In its main international markets, SMBIL Group products compete with both foreign and local beer brands, such as *Blue Girl* (Hong Kong), *Carlsberg* (Hong Kong, Thailand and Vietnam)*, Heineken* (Hong Kong, South China, Thailand, Vietnam and Indonesia), *Tsingtao* (Hong Kong and China), *Yanjing* (China), *Tiger* (Thailand, Vietnam and Indonesia), *Guinness* (Hong Kong and Indonesia), *Bintang* (Indonesia), *Budweiser* (Hong Kong and China), *Snow* (China), *Singha* and *Asahi* (Thailand), and *Saigon Beer* (Vietnam).

Spirits Segment

The local hard liquor industry is segmented by category and geographically among the major players. GSMI is the leader in the gin market catering mostly the northern and southern provinces of Luzon. The Greater Manila Area and key urban centers across the country patronize *Emperador Light Brandy* locally produced by Emperador Distillers, Inc. Recently, value-priced imported *Alfonso Light Brandy* distributed by Montosco, Inc. has likewise been gaining popularity.

The Visayas and Mindanao regions prefer *Tanduay Rhum Dark 5 Years*, a product of Tanduay Distiller's Inc. Moreover, there is a market for Chinese wine in various islands in the region with GSMI's *Vino Kulafu* as the top choice in this category.

These major players compete in their development of brand equity, as the industry's consumers generally develop affinities and loyalty to the brands that they patronize.

As the spirits industry matures, major spirits players also compete by adopting a product portfolio that caters to shifting consumer preferences.

The highly elastic demand for mainstream liquor products also leads major players to compete on the basis of pricing.

The spirits industry is dependent on the supply of molasses, the raw material for alcohol production. While the molasses supply has remained stable, the steady increase in demand for fuel alcohol since the implementation of the Biofuel Act of 2006 and recent increase in global demand for disinfectant alcohol due to the COVID-19 pandemic further worsened the shortage of supply for beverage alcohol

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production. This led to multi-continent and sourcing diversification of alcohol supply to ensure supply security and partly offset higher raw material costs.

Spirits manufacturers also compete in terms of production efficiencies, as the price-sensitive nature of the industry's consumers makes them more reliant on cost improvements than on price increases to brace against profit squeezes from an inflationary operating environment.

Spirits manufacturers further compete in the breadth of their distribution network.

Food Segment

Prepared and Packaged Food

In recent years, the Prepared and Packaged Food business has faced increased competition mainly from other local players, who employ aggressive pricing and promotion schemes. Competitors and competing brands in the branded processed meats category include Foodsphere, Inc. (*CDO*), Virginia Foods, Inc. (*Winner* and *Champion*), Pacific Meat Company Inc. (*Swift*, *Argentina* and *555*), Mekeni Food Corporation (*Mekeni*), Frabelle Food Corp. (*Bossing*), Sunpride (*Sunpride, Holiday* and *Good Morning*), and Century Pacific Foods, Inc. (*Shanghai*).

For butter and spreadable fats, competitors include Fonterra Brands Philippines, Inc., New Zealand Creamery, Inc. and Arla Foods Corporation Philippines (for butter) and New Zealand Creamery, Inc., RFM Foods Corporation and San Pablo Manufacturing Corporation (for margarine). In the cheese category, the main competitor of the *Magnolia* brand is Mondelez International, Inc. (*Eden, Cheez Whiz*, and *Kraft*). In the ice cream market, Unilever-RFM Ice Cream Inc. (*Selecta*) is the dominant player. Competitors in the coffee-mix business include Nestle SA (*Nescafe*), PT Mayora Indah (*Kopiko*), and Universal Robina Corporation (*Great Taste*).

Animal Nutrition and Health

SMFI is the largest producer of commercial feeds in the Philippines. Competitors of the Company's Animal Nutrition and Health business under SMFI include major domestic producers such as Univet Nutrition and Animal Healthcare Co., Pilmico Foods Corporation ("Pilmico") and ADM Animal Nutrition Philipines, as well as numerous regional and local feedmills. There are also foreign feeds manufacturers which have established operations in the Philippines.

Protein

Major competitors of the Protein business under SMFI include Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc., and Charoen Pokphand. There are also occasional imports from the United States, Canada, and Brazil.

The Philippine fresh meats industry remains highly fragmented consisting mostly of backyard hog raisers. Its main competitors are Charoen Pokphand and Foremost Farms. It also competes with several commercial-scale and numerous small-scale hog and cattle farms that supply live hogs and cattle to live buyers, who in turn supply hog and cattle carcasses to wet markets and supermarkets.

Others

Major competitors of the flour milling business include Philippine Foremost Milling Corporation, Pilmico and Universal Robina Corporation.

Local players face competition from imported flour that primarily originates from Turkey, Malaysia and Indonesia. Imported flour has increased its presence in the country through low-cost flour offerings.

<u>Purchase of Raw Materials and Supplies</u>

The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. The Group, taken as a whole, is not dependent on one or a limited number of suppliers for its essential raw materials and supplies, such that operations will not be disrupted if any supplier refuses or cannot meet its delivery commitment.

The list of suppliers of major raw materials of the Group is attached hereto as **Annex "E".**

Customers

The Group has a broad market base that includes supermarkets, hypermarkets, grocery stores, cooperative stores, *sari-sari* stores, convenience stores, warehouse clubs, mini-marts, market stalls, wet market vendors/dealers and commissaries, wholesalers/distributors, commercial farms, animal raisers, buyers of live birds and institutional accounts (*i.e.*, bars, restaurants, hotels, beer gardens, fast food outlets, burger and pizza chains, bakeshops/bakeries, kiosks, snack/biscuit manufacturers, noodle manufacturers, membership clubs, school/office canteens and franchise holders). The Group sells its products principally in the Philippines and Asia through the businesses' respective sales force, and through strategically located partners, distributors and dealers.

The Group, taken as a whole, is not dependent on a single customer or a few customers; the loss of any or more of which would have a material adverse effect on the Group's operations. This allows flexibility in managing the Group's sales activities.

Transactions with and/or Dependence on related parties

The Group, in the ordinary course of its business, has entered into transactions with affiliates and other related parties. Transactions with related parties are fair, entered into on an arm's length basis and at market rates. These transactions with related parties are described in Note 30 (Related Party Disclosures) of the Company's 2021 Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Intellectual Property

Brands, trademarks, industrial designs and other related intellectual property rights used by the Company and its subsidiaries on its principal products in the Philippines and foreign markets, are either registered or pending registration in the name of the Company or an affiliate company.

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. Maintenance and protection of these brands and related intellectual property rights are important to ensure the Group's distinctive corporate and market identities.

The Group is also responsible for defending itself against any infringement on its brands or other proprietary rights. In this connection, the Group monitors other products released in the market that may mislead consumers as to the origin of such products and may attempt to ride on the goodwill of the Group's brands and other proprietary rights. The Group also retains several independent external counsels to alert the Company of any such attempt and 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 further invests on domestic and global trademark watches that alert the Company on published trademarks that may potentially infringe or dilute any of its brands. This would allow the Group to file oppositions where it is appropriate.

Government Approvals

The Group has obtained all relevant permits, licenses and government approvals necessary to manufacture and sell its products.

Government Regulation

The Group has no knowledge of recent or impending governmental regulations, the implementation of which will result in a material adverse effect on the Company and its significant subsidiaries' business or financial position.

Various government agencies in the Philippines regulate the different aspects of the Group's manufacturing, processing, sales and distribution businesses.

The following are noteworthy laws relevant to the Group:

The Data Privacy Act
The Data Privacy Act and its implementing rules and regulations ensure the security of personal data and information and impose certain requirements and obligations to entities involved in the processing of personal data. Companies involved in the processing of personal data were required to appoint a Data Protection Officer and adopt a Personal Data Privacy Policy by September 1, 2017. The National Privacy Commission is tasked to administer and implement the provisions of the law and its rules and regulations.

Considering that the Company and its operating subsidiaries are involved in the processing of personal data, be it from customers, suppliers and employees, the Company and its operating subsidiaries appointed a Data Protection Officer and adopted a Personal Data Privacy Policy within the prescribed period. The policy provides for organizational, physical and technical security measures geared towards data protection. It likewise recognizes the rights of the data subject to information, access and rectification of his personal information, among others. It also provides for the procedures to be undertaken in the event of data breaches or security incidents. The policy further requires that all outsourcing arrangements of the Group involving personal data collection, be compliant with the requirements of the law.

The Philippine Competition Act
The Philippine Competition Act was enacted to provide a national competition policy, prohibit anti-competitive agreements, abuse of dominant position, and anti-competitive mergers and acquisitions, and establish the Philippine Competition Commission.

The law covers any person or entity engaged in trade, industry or commerce within the Philippines, as well as international trade having direct, substantial and foreseeable effects in the trade, industry or commerce in the Philippines. It prohibits competitors from entering into anti-competitive agreements. It likewise prohibits abuse of dominant position and entering into other agreements with the object or effect of substantially preventing, restricting or lessening competition.

The Philippine Competition Commission is primarily tasked to implement and enforce the law and its implementing rules and regulations.

The Food Safety Act of 2013
The Food Safety Act of 2013 was enacted into law to strengthen the food safety regulatory system in the country. The food safety regulatory system encompasses all the regulations, food safety standards, inspection, testing, data collection, monitoring and other activities carried out by the Department of Agriculture (the "DA") and the Department of Health (the "DOH"), their pertinent bureaus, and the local government units.

The 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. The law provides that the DA and the DOH shall set the mandatory food safety standards, which shall be established on the basis of science, risk analysis, scientific advice from expert bodies, standards of other countries, existing Philippine National Standards and the standards of the Codex Alimentarius Commission, where these exist and are applicable.

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 Foods, Drugs and Devices, and Cosmetics Act
The Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 (the "FDDC Act"), establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines. The Food and Drug Administration (the "FDA", previously referred to as the Bureau of Food and Drugs) is the governmental agency under the DOH tasked to implement and enforce the FDDC Act.

Pursuant to the FDDC Act, food manufacturers are required to obtain a license to operate as such. The law further requires food manufacturers to obtain a certificate of product registration for each product it sells in the market.

The DOH also prescribes Guidelines on Current Good Manufacturing Practice in Manufacturing, Packing, Repacking, or Holding Food for food manufacturers, the Code on Sanitation of the Philippines, and the Philippine National Standards for Drinking Water.

The Consumer Act
The Consumer Act of the Philippines (the "Consumer Act") establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of food products. The DOH (which includes the FDA) is the government agency tasked to implement the Consumer Act with respect to food products.

The Consumer Act provides for minimum labeling and packaging requirements for food products to enable consumers to obtain accurate information as to the nature, quality, and quantity of the contents of food products available to the general public.

The Livestock and Poultry Feeds Act
The Livestock and Poultry Feeds Act and its implementing rules and regulations (the "Livestock and Poultry Feeds Act"), regulate and control the manufacture, importation, labeling, advertisement and sale of livestock and poultry feeds. The Bureau of Animal Industry (the "BAI") is the governmental office under the DA tasked to implement and enforce the Livestock and Poultry Feeds Act.

Under the Livestock and Poultry Feeds Act, any entity desiring to engage in the manufacture, importation, exportation, sale, trade or distribution of feeds or other feed products must first register with the BAI. Further, all commercial feeds must comply with the nutrient standards prescribed by the DA. The Livestock and Poultry Feeds Act also provides branding, labeling and advertising requirements for feeds and feed products.

The Meat Inspection Code
The Meat Inspection Code of the Philippines (the "Meat Inspection Code") establishes quality and safety standards for the slaughter of food animals and the processing, inspection, labeling, packaging, branding and importation of meat (including, but not limited to, pork, beef and chicken meat) and meat products. The National Meat Inspection Service (the "NMIS"), a specialized regulatory service attached to the DA, serves as the national controlling authority on all matters pertaining to meat and meat product inspection and meat hygiene to ensure meat safety and quality from farm to table. In this regard, the DA mandates the application of Good Manufacturing Practices in all NMIS-accredited meat establishments.

The Meat Inspection Code provides for labeling, branding and packaging requirements for meat and meat products to enable consumers to obtain accurate information and ensure product traceability.

The Price Act
The Price Act covers unbranded basic necessities, such as fresh pork, beef and poultry meat, milk, coffee and cooking oil, and prime commodities, such as flour, dried, processed and canned pork, beef and poultry meat, other dairy products and swine and poultry feeds. The Price Act is primarily enforced and implemented by the DA and the Department of Trade and Industry in relation to such products.

Under the Price Act, the prices of basic commodities may be automatically frozen or placed under price control in areas declared as disaster areas, under emergency or martial law, or in a state of rebellion or war, for a maximum period of 60 days only. In cases of calamities, emergencies, illegal price manipulation or when the prevailing prices have risen to unreasonable levels, it is the President of the Philippines who can impose a price ceiling on basic necessities and prime commodities.

The Philippine Food Fortification Act
The Philippine Food Fortification Act of 2000 (the “PFF Act”) provides for the mandatory fortification of wheat flour, cooking oil and other staple foods and the voluntary fortification of processed food products. The FDA is the government agency responsible for the implementation of the PFF Act with the assistance of the different local government units which are tasked under the said law to monitor foods mandated to be fortified which are available in public markets, retail stores and food service establishments and to check if the labels of fortified products contain nutrition facts stating the nutrient added and its quantity.

Environment-related Laws
The Philippine Environmental Impact Statement System ("EIS System") is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical; or (ii) is situated in an environmentally critical area. The law is implemented by the Department of Environment and Natural Resources ("DENR"). Under the EIS System, an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area is required to submit an Environmental Impact Statement and secure an Environmental Compliance Certificate ("ECC"). This ECC requirement is applicable to the production facilities that the Group operates throughout the Philippines.

The Philippine Clean Water Act of 2004 and its implementing rules and regulations provide for the requirement to secure a wastewater discharge permit, which authorizes the discharge of liquid waste and/or pollutants of specified concentration and volume from plants and facilities into any water or land resource for a specified period. The Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR) is responsible for issuing discharge permits and monitoring and inspecting the facilities of the grantee of the permit.

The Philippine Clean Air Act of 1999 and its implementing rules and regulations provide that before any business may be allowed to operate facilities and equipment, which emit regulated air pollutants, the establishment must first obtain a Permit to Operate Air Pollution Source and Control Installations. The EMB is responsible for issuing permits to operate air pollution source and control installations as well as monitoring and inspecting the facilities of the grantee of the permit.

The Ecological Solid Waste Management Act of 2000, with DENR Administrative Order 2011-34 as its implementing rules and regulations, sets the guidelines for solid waste reduction through sound reduction and waste minimization, including composting, recycling, re-use, recovery before collection, treatment and disposal in appropriate and environmentally sound solid waste management facilities in accordance with ecologically sustainable principles.

The Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and its implementing rules and regulations, as well as DENR Administrative Orders 2013-25 and 2013-22, aim to regulate the management of ozone-depleting chemical substances and hazardous wastes generated by various establishments. The law and regulations regulate, restrict or prohibit the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include by-products, process residue, contaminated plant or equipment or other substances from manufacturing operations.

The Energy Efficiency and Conservation Act and its implementing rules and regulations establish a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation including the promotion of efficient and judicious utilization of energy and the definition of responsibilities of various government agencies and private entities. Under the act, Designated Establishments (depending on the level of their consumption of energy) shall appoint a Certified Energy Conservation Officer who shall be responsible for the management of the energy consumption of facilities, equipment and devices, the improvement and implementation of energy efficiency measures, the conduct of regular energy audit, energy monitoring and control, and the preparation of periodic energy consumption report of the Designated Establishment, or a Certified Energy Manager who shall plan, lead, manage, coordinate, monitor, and evaluate the implementation of sustainable energy management within their organizations.

Other regulatory environmental laws and regulations applicable to the Group are as follows: (i) The Water Code, which governs the appropriation and use by any entity of water within the Philippines. Water permits are issued by the National Water Resources Board; (ii) DENR Administrative Order 1992-26 or the Appointment of Pollution Control Office, as amended by DENR Administrative Order 2014-02, which aims to manage and address environmental problems and programs of the plant as well as liaison with the environmental government agencies; and (iii) The Sanitation Code, which provides for sanitary and structural requirements in connection with the operation of certain establishments such as food establishments, including such places where food or drinks are manufactured, processed, stored, sold or served. Under the Sanitation Code, food establishments are required to secure sanitary permits prior to operation which shall be renewable on a yearly basis.

The Anti-Drunk and Drugged Driving Act of 2013
The Anti-Drunk and Drugged Driving Act of 2013 aims to ensure road safety through the observance of responsible and ethical driving standards and penalizes acts of driving under the influence of alcohol, dangerous drugs and other intoxicating substances. Under the law, the Land Transportation Office ("LTO") may deputize traffic enforcers of the Philippine National Police, Metro Manila Development Authority and local government units to assist the LTO in the enforcement of the law.

The Manual of Procedures and Code of Ethics of the ASC Guidebook
The Manual of Procedures and Code of Ethics of the ASC Guidebook as formulated by the Ad Standards Council, a voluntary association of various companies and groups engaged in the fields of advertising, marketing and media in the Philippines, prescribe rules on the advertising activities of its members to promote truth and fairness in advertising through self-regulation of advertising content.

Revised Corporation Code of the Philippines
The Revised Corporation Code of the Philippines, the provisions of which are principally enforced by the SEC, is the law that governs the rules and regulations in the establishment and operation of corporations in the Philippines. It covers the powers and capacity of corporations such as the power to extend or shorten corporate term, to increase or decrease capital stock, to declare dividends, and power to invest corporate funds in another corporation or business, among others. It also discusses the rules on meetings of directors, stockholders or members in a corporation, whether regular or special, as well as the rules on voting and quorum. The Group also ensures compliance with the memorandum circulars and other issuances of the SEC, whenever applicable.

Securities Regulation Code
Given that the Company’s shares of stocks are listed with the PSE, it also complies with the Securities Regulations Code (“SRC”) and its Implementing Rules and Regulations, as well as relevant issuances of both the PSE and the SEC. Under the SRC, the SEC has jurisdiction and supervision over all corporations, partnerships or associations that are grantees of primary franchises, license to do business or other secondary licenses. As the government agency regulating the Philippine securities market, the SEC issues regulations on the registration and regulation of securities exchanges, the securities market, securities trading, the licensing of securities brokers and dealers, reportorial requirements for public and publicly listed companies, and the proper application of SRC provisions, as well as the Revised Corporation Code of the Philippines, and certain other statutes.

Labor
The Department of Labor and Employment ("DOLE") stands as the national government agency mandated to formulate policies, implement programs and services, and serve as the policy coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws, particularly the Philippine Labor Code, and such other laws as specifically assigned to it or to the Secretary of Labor and Employment. In 2017, the DOLE issued Department Order No. 174 s. 2017 ("D.O. 174") which prohibits labor-only contracting which are arrangements where the contractor or subcontractor: (a) (i) does not have substantial capital, or (ii) does not have investments in the form of tools, equipment, machineries, supervision, and work premises, among others, and (iii) recruits or places employees performing activities which are directly related to the main business operation of the principal; or (b) the contractor or subcontractor does not exercise control over the performance of the work of the employee. The

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DOLE also enforces the Occupational Safety and Health Law which requires employers to furnish workers a place of employment free from hazardous conditions causing or are likely to cause death, illness or physical harm, among other things.

Taxation

On the matter of taxation and other charges, the Group is subject to the National Internal Revenue Code of 1997 (“NIRC”), as amended by Republic Act No. 9334 and further amended by Republic Act No. 10351. In the course of its business operations, the Group is subject to income tax and value added tax. As to the Group’s alcohol products, including beer and spirits products, these are specifically subject to excise taxes as provided for in the NIRC and the relevant circulars and issuances of the concerned government agencies such as those issued by the Department of Finance and Bureau of Internal Revenue. As the Group imports materials from foreign countries, it is governed by the rules and regulations issued by the Bureau of Commerce (“BOC”) and is likewise subject to BOC duties, taxes and other charges. The Group is also subject to local taxes based on the prevailing tax ordinances, in areas where it operates.

In SMFB’s beverage businesses, excise tax represents a significant component of production costs of alcoholic beverages. Under the Philippine Tax Code, excise tax on fermented liquor is determined per liter of volume capacity in relation to the net retail price (excluding the excise tax and value added tax thereon) and is payable by the producer. The tax rate varies depending on the type of alcoholic beverage produced, with more expensive products being subject to higher rates.

Effective January 1, 2017, Republic Act No. 10351 imposed a unitary tax rate of P23.50 per liter on all fermented liquors regardless of the net retail price (excluding the excise and value-added taxes) per liter of volume capacity, except those affected by the “no downward classification clause”. The rate shall be increased by 4% every year thereafter, as prescribed by the provisions of Revenue Regulations No. 17-2012 dated December 31, 2012, until amended by an act of Congress. Excise tax rate effective January 1, 2018 is P24.44 per liter. For the Spirits Segment, effective January 1, 2015, Republic Act No. 10351 imposed an ad valorem tax on distilled spirits equivalent to 20% of the net retail price (excluding the excise and value-added taxes) per proof and a specific tax of P20.00 per proof liter. Specific tax rate effective January 1, 2016 is P20.80 per proof liter, which shall be increased by 4% every year thereafter, as prescribed by the provisions of Revenue Regulations No. 17-2012 dated December 31, 2012. Specific tax rate effective January 1, 2018 is P22.50 per proof liter.

Effective January 1, 2018, Republic Act No. 10963, or the “Tax Reform for Acceleration and Inclusion”, imposed an excise tax rate of P6.00 or P12.00 per liter on sugar sweetened beverages, with the rate depending on the type of sugar used. The non-alcoholic beverages produced by the Beer and NAB Segment fall under the P6.00 per liter classification.

On January 22, 2020, President Rodrigo R. Duterte signed Republic Act No. 11467, which amended certain provisions of the Philippine Tax Code and set additional excise tax on alcoholic beverages. Effective January 1, 2020, the new excise tax rate for beer and fermented liquor was P35.00 per liter. The excise tax was then increased to P37.00 per liter in 2021, and will further increase to P39.00 per liter in 2022, P41.00 per liter in 2023, and P43.00 per liter in 2024. Effective January 1, 2025, the excise tax rate shall be increased by 6% every year thereafter.

The sale of beer and NAB in the Philippines is also subject to value-added tax and withholding tax, when applicable. The Beer and NAB segment’s beer products are also subject to excise tax in the markets in which the international subsidiaries operate.

For distilled spirits, an additional ad valorem tax of 22% of the net retail price (excluding excise tax and value added tax) shall be assessed and collected. In addition to the ad valorem tax, a specific tax at the following rates shall be collected: P42.00 per proof liter effective January 1, 2020, P47.00 per proof liter in 2021, P52.00 per proof liter in 2022, P59.00 per proof liter in 2023, and P66.00 per proof liter in 2024. The specific tax will be increased by 6% every year thereafter effective January 1, 2025, through revenue regulations to be issued by the Secretary of Finance.

Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (the “CREATE Act”), which seeks to reduce corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, took effect on April 11, 2021, 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Key provisions of the CREATE Act that have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of Minimum Corporate Income Tax (MCIT) rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021 (i.e., 25% RCIT, 1% MCIT) for financial reporting purposes.

Research and Development

Beer and NAB Segment

SMB employs state-of-the-art brewing technology. Its highly experienced brewmasters and quality assurance practitioners provide technical leadership and direction to continuously improve and maintain high standards in product quality, process efficiency, cost effectiveness and manpower competence.

Technology and processes are constantly updated and new product development is ensured through the research and development of beer and NAB products. Research and development activities are conducted in a technical center and pilot plant located in one of SMB's production facilities.

SMB also has a central analytical laboratory which is equipped with modern equipment necessary for strategic raw material analysis and validation, beer and NAB evaluation and new raw material accreditation. Specialized equipment includes gas chromatography, high performance liquid chromatography, atomic absorption spectroscopy, protein analyzer, and laboratory scale mashing/milling system for malt analysis, and wort extract analyzer. Analytical methods and validation procedures are constantly enhanced and standardized across all SMB laboratories. The central analytical laboratory likewise runs proficiency tests for brewery laboratories and suppliers to ascertain continuous reliability and quality of analytical test results. It is also tasked with ensuring compliance of all systems with international standards, specifically ISO/IEC 17025:2017.

To promote technical manpower development, SMB runs the San Miguel School of Brewing, which offers various programs spanning all levels of professional brewing technical training, starting from the basic brewing course for newly-hired personnel to the advanced brewing course for senior technical personnel. Courses offered at the school include those highly-advanced classes necessary to qualify the most senior of its technical personnel known as "*brewmasters*". Each of the approximately 40 brewmasters has extensive advanced coursework from both in-house and international institutions and over ten years of on-the-job training experience with SMB.

Spirits Segment

GSMI continuously focuses on research and development to stay attuned to the evolving market preferences. As such, GSMI has a dedicated Research and Development team which maintains a well-equipped laboratory and closely collaborates with the Marketing team's market research group to constantly develop and formulate innovative products. The Research and Development team's mandate is to enhance and further expand GSMI's product library that will allow timely product launches as the need arises.

Food Segment

The Food Segment has developed a systematic approach to new product development referred to as the stage-gate process, which is a five-step process comprising idea generation, feasibility testing, commercialization, launch and post-launch evaluations. The process optimizes returns on new product development by prioritizing innovations in the pipeline in a disciplined approach. New products that cater to the more sophisticated palates of consumers, as well as address the health awareness and convenience food trends, are continuously introduced.

The Food Segment owns several research and development facilities used by its Animal Nutrition and Health business that analyze average daily weight gain, feed conversion efficiency and other performance parameters. Results of these analyses are immediately applied to commercial feed formulations to minimize costs and maximize animal growth.

The Food Segment has several research and development teams that engage in the development, reformulation and testing of new products. The teams believe that their continued success will be affected in part by their ability to be innovative and attentive to consumer preferences and local market conditions. Aside from product innovations, the research and development teams also look into efficiency improvement for operations through the use of new technology, a measure of increasing production cycles per farm per year, improving feed consumed to weight ratio and achieving better harvest recovery.

The total amount spent by the Group on research and development for the years 2021, 2020 and 2019 were P480.5 million, P382.3 million and P608.4 million, respectively. As a percentage of net sales revenues, spending on research and development for the years 2019 to 2021 is approximately 0.2%.

Cost of Compliance with Environmental Laws

The Group incurred about P195.5 million in expenses for environmental compliance for the year 2021. On an annual basis, operating expenses incurred by the Group to comply with environment laws are not significant or material relative to the Company and its subsidiaries' total cost and revenues.

Human Resources and Labor Matters

As of December 31, 2021, the Group has a total of 10,371 employees. The Group has eighteen (18) existing Collective Bargaining Agreements ("CBAs") and four (4) existing Collective Labor Agreements ("CLAs").

Please see the list of CBAs and CLAs entered into by Group with its various employee unions attached hereto as **Annex "F"**.

The Group does not expect any significant change in its existing workforce level within the ensuing 12 months.

Majority of the subsidiaries of the Company have funded, non-contributory defined benefit retirement plans covering all of its permanent employees.

Under the said retirement plans, all regular monthly-paid and daily-paid employees of the subsidiary are eligible members. Eligible members who reach the age of 60 are entitled to compulsory retirement. The Company's subsidiaries may, however, at their own discretion, continue an employee's membership under the plan on a year-to-year basis after he/she reaches compulsory retirement. Eligible members may opt to retire earlier after they have completed at least 15 years of credited service with the subsidiary. Upon retirement, eligible members will receive a certain percent of their final monthly pay for each year of their credited service. The amount varies depending on the years of service of the retiree. Eligible members may receive certain resignation benefits if they resign before they reach an eligible retirement date, provided they have completed at least five years of service with the subsidiary. The retirement plans are further described in Note 29 (Retirement Plans) of the 2021 Audited Consolidated Financial Statements of the Company attached hereto as **Annex "B"**.

Major Business Risks

The major business risks the Group has to contend with are the following:

Competition Risks
The Group operates in highly competitive environments. New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new and updated technologies, cost reductions and the reconfiguration of the industry's value chain. The Group has responded with the corresponding

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introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

Operational Risks
The facilities and operations of the Group could be disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters, port congestions, logistical constraints, outbreaks of animal diseases such as Porcine Epidemic Diarrhea, Porcine Reproductive and Respiratory Syndrome, Actinobacillus Pleuropneumonia and African Swine Fever for hogs, and Fowl Cholera, Newcastle Disease, bird flu or H1N1 influenza for broilers, and other unforeseen circumstances and problems. These disruptions could result in product run-outs, facility shutdowns, equipment repairs or replacement, increased insurance costs, personal injuries, loss of life and unplanned inventory build-up, all of which could have a material adverse effect on the business, financial condition and results of operations of the Group.

Any outbreak of a contagious disease, such as epidemics or pandemics, could also have a material adverse effect on the Group's financial position and financial performance. In particular, an outbreak of a contagious disease (such as for example, the COVID-19 pandemic) and the corresponding or resulting restrictions imposed by the government in order to contain the spread of such contagious disease (such as for example, the strict community quarantines, alcoholic beverage bans, limitation in travel and movement of goods and cargo, and the temporary suspension of business operations other than those for essential goods and services, which were imposed to contain the COVID-19 pandemic) could adversely affect consumer demand for the Group's products, the Group's ability to adequately staff its operations and continue production of its products, the distribution networks of the Group's products, as well as the general level of economic activity in the markets where the Group operates.

The Group undertakes necessary precautions to minimize the impact of any significant operational problems in its subsidiaries through effective maintenance practices. To manage occasional outbreaks of animal diseases, the Group adopted preventive measures like farm sanitation and strict bio-security to minimize, if not totally avoid, the risks from these diseases.

In addition, the Group may face capacity bottlenecks as the supply for its products is largely dependent on production facilities. Capacity bottlenecks could involve both demand generally outpacing the relevant businesses' existing capacity, as well as the risk of major production facilities suffering unexpected outages, maintenance, temporary stoppages, or other setbacks. Although the Group continuously seeks to enhance the efficiency and manufacturing capabilities of its production facilities and/or increase its production capacity through adding more production lines or building more facilities, the Group may, from time to time, experience production difficulties that may cause shortages and delays in deliveries, as is common in the manufacturing industry. It is not assured that there will be no production difficulties or stoppages in the future or that the Group will be able to increase the output and efficiency of its production facilities to respond to increased customer demand in the future. These may adversely and materially affect its business and operations. Furthermore, the Group may have to incur significant additional capital expenditures in the future to be able to meet increasing demand for its products.

The Group relies on third parties in a number of critical areas of its operations, including distribution and logistics services. Its ability to bring products to the market could suffer if a significant number of third party contractors fail to distribute products in a timely manner. While the Group only engages the services of reputable contractors, third party contractors may experience labor disruptions. The Group may not also successfully renew existing agreements or have contractual disputes with the third party contractors. Furthermore, the Group operates in an industry that is subject to many regulatory regimes, including, but not limited to, labor, safety, health, environmental and insolvency matters. Failure on the part of any significant number party contractors to comply with any of these regulatory regimes could materially and adversely affect its businesses and prospects.

The Group's products are primarily sold through dealers and distributors. Although many of these dealers and distributors have been dealing with the Group for many years, and while the Group intends to continuously exert efforts to provide them support, there is no assurance that these dealers and distributors will continue to purchase and distribute the Group's products, or that these dealers and distributors can continue to effectively distribute the Group's products without delays or interruptions.

In addition, the financial instability of, contractual disputes with, or labor disruptions at, the Group's dealers could disrupt the distribution of the Group's products and adversely affect the Group's business.

Legal and Regulatory Risks
The businesses and operations of the Group are subject to a number of national and local laws, rules and regulations governing several different industries in the Philippines and in other countries where it conducts its businesses such as those with respect to health, food and beverage safety, management of solid waste, water and air quality, as well as the use, discharge, emission, treatment, release, disposal and management of, regulated materials and hazardous substances. The Group is also subject to various taxes, duties and tariffs.

Health, food and beverage safety and environmental laws and regulations in the Philippines have become increasingly stringent and it is possible that these laws and regulations will become significantly more stringent in the future. The adoption of new health, food and beverage safety and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations. In addition, stringent and varied requirements of local regulators with respect to local licenses and permits could delay or prevent development of facilities and operations in certain locations.

Furthermore, if the measures which the Group implements to comply with these laws and regulations are not deemed sufficient by governmental authorities, compliance costs may significantly exceed current estimates, and expose the Group to potential liabilities. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties, as well as orders that could limit or affect the Group's operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations.

In addition, the Philippine government may periodically implement measures aimed at protecting consumers from rising prices, which may constrain the ability of the Group to pass-on price increases to distributors who sell its products, as well as its customers. Implementation of any such measures could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, the Group maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations. In the event that the Group becomes involved in future litigation or other proceedings or is held responsible in any future litigation or proceedings, the Group endeavors to amicably settle such proceedings in accordance with law and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

Social and Cultural Risks
The ability of the Group to successfully develop and launch new products and maintain the demand for existing products depends on the acceptance of such products by consumers and their purchasing power and disposable income levels, which may be adversely affected by unfavorable economic developments in the Philippines (such as for example, those resulting from the occurrence of the COVID-19 pandemic and the restrictions imposed by governments to contain the spread of the pandemic). A significant decrease in disposable income levels or consumer purchasing power of the target markets could materially and adversely affect the financial position and financial performance of the Group. Consumer preferences may shift for a variety of reasons, including changes in culinary, demographic and social trends, leisure activity patterns or consumer lifestyle choices. Concerns about health effects due to negative dietary effects or other factors may also affect consumer purchasing patterns for food and beverage products. If the marketing strategies of the Group are not successful or do not respond timely or effectively to changes in consumer preferences, the business and prospects of the Group could be materially and adversely affected.

The success of the Group depends largely upon consumers' perception of the reliability and quality of its products. Any event or development that detracts from the perceived reliability or quality of its

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products could materially reduce demand. For example, a contamination of products by bacteria or other external agents, whether arising accidentally or through deliberate third party action, could potentially result in product liability claims. Product liability claims, whether or not they are successful, could adversely affect the reputation of the brands of the Group, which may result in reduced sales and profitability of the affected brand or the brands of the Group in general. In particular, the Group has little, if any, control over handling procedures once its products have been dispatched for distribution and are, therefore, particularly vulnerable to problems in this phase. Even an inadvertent distribution of contaminated products may constitute a violation of law and may lead to increased risk of exposure to product liability claims, product recalls, increased scrutiny and penalties, including injunctive relief and plant closings by regulatory authorities, and adverse publicity, which could exacerbate the associated negative consumer reaction.

Raw Materials Sourcing Risks
The products and businesses of the Group depend on the availability of raw materials. Most of these raw materials, including some critical raw materials, are procured from third parties. 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 governmental regulations and controls. There is no assurance that raw materials will be supplied in adequate quantities or at the required quality to meet the needs of operations, or that these raw materials will not be subject to significant price fluctuations in the future. Shortage in raw materials may also cause delay in the supply of products to customers. Moreover, the market prices of raw materials may increase significantly if there are material shortages due to, among others, competing usage or drastic changes in weather or natural disasters or shifts in demand from other countries. The Group's ability to pass along higher costs through price increases to consumers is also influenced by competitive conditions and pricing methodologies used in the various markets in which it competes. As such, there is no assurance that any increases in product costs will be passed on to consumers and any price increases that are passed along to consumers will not have a material adverse effect on the Group's price competitiveness as consumers may choose to purchase competing products or shift purchases to lower-priced or other value offerings.

Water is critical in the Group's operations, and it may not be able to source sufficient quantities or may face increases in water costs in the future. The Group sources its water requirements from deep wells, water utility service providers and government-owned water facilities. Restrictions on the use of deep well water could disrupt operations and price increases for the use of deep well water, or by water utility service providers or government-owned water facilities could adversely affect operating costs, and in turn, adversely affect the Group's business, financial condition, results of operations and prospects.

Movements in the supply of global crops may affect prices of raw materials such as wheat, malted barley, adjuncts and molasses. The Group may also face increased costs or shortages in the supply of raw materials due to the imposition of new laws, regulations and policies.

Alternative sources of raw materials are used in the Group's operations to avoid and manage risks on unstable supply and higher costs.

The Group, whenever necessary, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins.

Financial Risks
In the course of its operations, the Group is exposed to financial risks, namely:

<u>Interest Rate Risk</u>
The Group's exposure to changes in interest rates relates primarily to the long-term borrowings and investment securities. Investment securities acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Foreign Currency Risk
The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group.

Liquidity Risk
Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under abnormal and stressful circumstances.

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade and other receivables and investment securities.

Prudent fund management is employed to manage exposure to changes in earnings as a result of fluctuations in interest and foreign currency rates.

The Group uses a combination of natural hedges, which involve holding U.S. dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure.

Liquidity risks are managed to ensure adequate liquidity of the Group through monitoring of accounts receivables, inventory, loans and payables. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

Please refer to Note 33 of the 2021 Audited Consolidated Financial Statements attached hereto as **Annex "B"** for the discussion of the Group's Financial Risk and Capital Management Objectives and Policies.

Other risk factors that could materially and adversely affect the business, financial condition and results of operations of the Group are discussed in more detail in the Prospectus dated February 20, 2020 (filed with the SEC, disclosed to the PSE and PDEx and uploaded in the Company's website), relating to the registration and public offer for sale, distribution and issuance by the Company in the Philippines of Peso-denominated fixed rate bonds, with an aggregate principal amount of P15 billion, comprised of five-year Series A Bonds due 2025 and seven-year Series B bonds due 2027.

Item 2. Properties

A summary of information on the various properties owned and leased by the Group, including the conditions thereof, are attached hereto as **Annex "C"**.

The Group owns its major facilities, *i.e.*, beer production facilities, distillery, liquor bottling facilities, flour mills, grain terminal, meats processing plants, ice cream plant, and butter, margarine and cheese plant. Its Feeds, Poultry and Fresh Meats operations, including the poultry dressing operation, however, are mostly contracted out to third parties.

The Group has no principal properties that are subject to a mortgage, lien or encumbrance.

There are no imminent acquisitions of any material property, which cannot be funded by the working capital of the Group.

For additional information on the Group's properties, please refer to Note 13 (Property, Plant and Equipment), Note 14 (Right-of-Use Asset) and Note 15 (Investment Property) of the 2021 Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Item 3. Legal Proceedings

The Group, taken as a whole, is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Company or its results of operations.

For further details on pending legal proceedings of the Group, please refer to Note 37 of the 2021 Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of the Company's shareholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2021.

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PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common equity is traded in the PSE.

The Company's high and low prices for each quarter of the last two fiscal years, are as follows:

Quarter	2021		2020		2020	
	Common		Common		Preferred Series 2*	
	High	Low	High	Low	High	Low
1st	69.00	57.00	85.00	44.50	1,005.00	985.00
2nd	82.00	59.05	73.00	47.70	N/A	N/A
3rd	85.30	74.00	71.00	62.00	N/A	N/A
4th	77.95	69.20	72.35	62.55	N/A	N/A

*Note: Preferred series 2 shares were redeemed on March 12, 2020.

The closing price as of the latest practicable trading date is:

Common shares P 62.50 April 5, 2022

The approximate number of shareholders of the Company as of December 31, 2021, is as follows:

Common shareholders 181 stockholders

The Company's top 20 stockholders of common shares as of December 31, 2021, are as follows:

Rank	Stockholder Name	Total Common Shares	% of Outstanding Common Shares
1	San Miguel Corporation	5,245,082,440	88.760993%
2	PCD Nominee Corporation (Non-Filipino)	402,046,574	6.803716%
3	PCD Nominee Corporation (Filipino)	240,257,420	4.065806%
4	Q-Tech Alliance Holdings, Inc.	20,511,400	0.347108%
5	PFC ESOP/ESOWN Account	271,030	0.004587%
6	Cecille Y. Ortigas	228,610	0.003869%
7	Majent Management and Development Corporation	203,700	0.003447%
8	Monaco Holdings, Inc.	100,000	0.001692%
9	Ramon L. Chua	77,140	0.001305%
10	Ana Maria De Olondriz Ortigas	55,310	0.000936%
11	UP Engineering Research and Development Foundation Inc.	53,450	0.000905%
12	Pacifico De Ocampo	43,240	0.000732%
13	William Pendarvis	29,370	0.000497%
14	Teodoro Quijano	14,130	0.000239%
15	Principe P. Reyes	14,130	0.000239%
16	Maxima A. Senga	13,050	0.000221%
17	Francis Fernan	12,240	0.000207%
18	John T. Lao	12,000	0.000203%
19	Honesto B. Buendia	11,760	0.000199%
20	Jose Avellana	9,800	0.000166%

As of December 31, 2021, the Company had a public float of 11.23%, as reflected in the Public Ownership Report for the said period.

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

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

Under the terms of the perpetual series 2 preferred shares offer of the Company in February 2015 (the "FBP2 Shares"), as and if dividends are declared by the Board of Directors, dividends on the FBP2 Shares shall be at a fixed rate of 5.6569% per annum applicable up to the fifth anniversary of the issue date of such shares. The Company redeemed all outstanding FBP2 Shares in March 2020.

In accordance with the foregoing, the Company paid out cash dividends as follows for the last three (3) fiscal years:

Fiscal Year	Stock Type	Aggregate Amount (per share)
2021	Common	P1.70
2020	Common FBP2	P1.60 P14.14225
2019	Common FBP2	P1.60 P56.5690

There were no securities sold by the Company within the past three (3) years that were not registered under the SRC.

In February 2015, the SEC approved the Company's Registration Statement covering the registration of 15,000,000 FBP2 Shares with a par value of P10.00 per share, and the PSE approved, subject to certain conditions, the application of the Company to list the FBP2 Shares to cover the Company's preferred shares offering at an offer price of P1,000.00 per share. On the basis of the SEC order for the registration of the Company's FBP2 Shares and Certificate of Permit to Offer Securities for Sale, the Company offered for subscription by the public the FBP2 Shares with 5-year maturity at an offer price of P1,000.00 per share. The dividend rate was set at 5.6569% per annum. The offering was fully subscribed and the FBP2 Shares were issued on March 12, 2015, its listing date on the PSE.

On January 18, 2018, in line with the consolidation of the food and beverage businesses of SMC under the Company, the stockholders approved the following amendments to the Company's Articles of Incorporation: (a) the expansion of the primary purpose in the Second Article to include the engagement in the alcoholic and non-alcoholic beverage business, (b) the change of the corporate name in the First Article to "San Miguel Food and Beverage, Inc.", (c) the reduction of par value of common shares in the Seventh Article to P1.00 per share, and (d) the denial of pre-emptive rights for issuances or dispositions of all common shares in the Seventh Article (collectively, the "First Amendments").

On the same date, the stockholders approved the increase in authorized capital stock of the Company, to be filed with the SEC after the latter's approval of the First Amendments, which increase shall be P9,540,000,000 comprised of 9,540,000,000 common shares with a par value of P1.00 per share (the

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“Increase”), including the amendment of the Seventh Article to reflect the Increase. From the Increase, approximately 44% thereof or 4,242,549,130 common shares with a par value of P1.00 per share (the “New Shares”) will be subscribed by SMC. As a result of the Increase, the Company’s authorized capital stock will be P12,000,000,000 divided into 11,600,000,000 common shares with a par value of P1.00 per share, and 40,000,000 preferred shares with a par value of P10.00 per share.

Likewise on the same date, the stockholders approved the acquisition by the Company of SMC’s common shares in San Miguel Brewery Inc. and Ginebra San Miguel Inc. (the “Exchange Shares”), with the combined value of P336,349,294,992.60, as consideration for the issuance by the Company of the New Shares from the Increase.

Finally, also on the same date, the stockholders approved the listing on the PSE of the additional issued common shares resulting from the reduction of par value of shares, as well as the New Shares to be issued to SMC.

All the foregoing items approved by the stockholders at its special meeting on January 18, 2018, were earlier approved by the Board of Directors at its special meeting on November 3, 2017.

On March 23, 2018, the SEC approved the First Amendments by virtue of the Certificate of Filing of Amended Articles of Incorporation of San Miguel Food and Beverage, Inc. (formerly San Miguel Pure Foods Company Inc.) issued on the said date, a copy of which the Company received on March 27, 2018.

On April 5, 2018, SMC and the Company signed a Deed of Exchange of Shares pursuant to which SMC shall transfer to the Company the Exchange Shares, and in consideration therefor, the Company shall issue New Shares from the Increase, subject to and conditioned upon the approval by the SEC of the Increase.

On June 29, 2018, the SEC approved the Increase by virtue of the issuance to the Company of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation.

On October 12, 2018, the BIR issued BIR Certification No. 010-2018, which confirmed the tax-free transfer by SMC of the Exchange Shares in consideration for the New Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) for the tax-free transfer of the Exchange Shares to the Company. The Exchange Shares were issued and registered in the name of the Company in the stock and transfer books of SMB and GSMI, as the case may be, on November 5, 2018.

On October 26, 2018, the SEC issued the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale relating to the offer of up to 1,020,050,000 common shares in SMFB owned by SMC in a secondary sale transaction to institutional investors inclusive of the PSE Trading Participants’ share allocation at an offer price of P85.00 per share.

On November 5, 2018, the PSE issued a Notice of Approval for the listing of the New Shares issued by the Company to SMC. On November 9, 2018, the New Shares were listed on the PSE.

On November 12, 2018, the secondary offering of 400,940,590 common shares in the Company plus the over-allotment option of 60,141,090 common shares in the Company owned by SMC were sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants’ share allocation. With the completion of the offering, the Company became compliant with the minimum public float requirement of the PSE.

On November 7, 2019, the Board of Directors approved the public offering by the Company in the Philippines of fixed rate retail bonds in the aggregate principal amount of up to P15,000,000,000.00. The proceeds of the offering were intended to be used to redeem the outstanding FBP2 Shares.

On February 3, 2020, the Board of Directors approved the redemption of the FBP2 Shares issued by the Company on March 12, 2015 at the redemption price of P1,000.00 per share. According to the Notice of Redemption, including guidelines for the payment of the redemption proceeds issued by the

Company for the purpose, the redemption price and all accumulated unpaid cash dividends were to be paid on March 12, 2020 to the preferred stockholders of record as of February 17, 2020.

On February 21, 2020, the SEC approved the Company's Registration Statement and issued the Permit to Sell of P15,000,000,000 worth of fixed rate bonds, consisting of five-year Series A Bonds due 2025 with a fixed interest rate of 5.050% per annum, and seven-year Series B Bonds due 2027 with a fixed interest rate of 5.250% per annum.

The bonds were issued and listed in the PDEx on March 10, 2020.

The proceeds of the bonds were used to redeem the outstanding FBP2 Shares and payment of transaction-related fees, costs and expenses.

Description of the securities of the Company may be found in Note 21 (Equity) of the 2021 Audited Consolidated Financial Statements, attached hereto as **Annex "B"**.

As stated in Note 21 of the 2021 Audited Consolidated Financial Statements, the Company's accumulated earnings in subsidiaries are not available for dividend declaration until declared by the respective investees.

Item 6. Management's Discussion and Analysis or Plan of Operation

The information required by Item 6 may be found on **Annex "A"** attached hereto.

Item 7. Financial Statements (FS) and Other Documents Required to be filed with the FS under SRC Rule 68, as Amended

The 2021 Audited Consolidated Financial Statements of the Company (with the external auditors' Professional Tax Receipt, name of certifying partner and address) and Statement of Management's Responsibility are attached hereto as **Annex "B"** with the Supplementary Schedules (including the reports of the external auditors on the Supplementary Schedules) attached hereto as **Annex "B-1"**.

The additional components of the 2021 Audited Consolidated Financial Statements together with their corresponding separate report of the external auditors, required to be filed with the 2021 Audited Consolidated Financial Statements under SRC Rule 68, as amended, are hereto attached as follows:

Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4 [c])	**Annex "B-2"**
Schedule of indicators of financial soundness	**Annex "B-3"**

Item 8. Information on Independent Accountant and Other Related Matters

A. External Audit Fees and Services

The appointment, reappointment and removal of the external auditor, including audit fees, shall be recommended by the Audit Committee, approved by the Board of Directors and ratified by the shareholders. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures that non-audit services rendered shall not impair or derogate the independence of the external auditor or violate SEC regulations.

The SEC-accredited accounting firm of R.G. Manabat & Co. ("RGM & Co.") served as the Company's external auditor for fiscal year 2021. The Board of Directors will again nominate RGM & Co. to be the Company's external auditor for fiscal year 2022. Representatives of RGM & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

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Fees billed for the services rendered by RGM & Co. to the Company in connection with the Company's annual financial statements and other statutory and regulatory filings for 2021 amounted to about P1 million. No other services were rendered by RGM & Co. to the Company in 2021.

B. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Company's external auditors on accounting and financial disclosure.

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PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the directors and key executive officers of the Company that served as such in the year 2021, and their respective ages, periods of service, qualifications, directorships in other reporting companies and positions in the last five (5) years, are as follows:

Board of Directors

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

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

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

Emmanuel B. Macalalag, Filipino, 56, was appointed Chief Operating Officer – Spirits on July 5, 2018. He has been an executive director of the Company since January 9, 2019 and member of the Company's Executive Committee since June 2, 2021. Mr. Macalalag is General Manager of Ginebra

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San Miguel Inc. (GSMI). He currently holds the following positions in the various subsidiaries and affiliate of GSMI: Director and General Manager of Distileria Bago, Inc. and East Pacific Star Bottlers Phils Inc., and Director of Agricrops Industries Inc., Crown Royal Distillers, Inc., Healthy Condiments, Inc., Thai San Miguel Liquor Company Limited and GSM International Holdings Limited. He previously held the following positions in GSMI: Manufacturing Group Manager and Manufacturing Operations Group Manager. Mr. Macalalag obtained his Bachelor of Science in Mathematics degree from De La Salle University (DLSU), Manila where he graduated *cum laude*. He also holds a Master's degree in Mathematics from DLSU and PhD degree in Operations Research from the University of Melbourne, Australia.

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

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

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

Menardo R. Jimenez, Filipino, 89, has been a non-executive director of the Company since April 25, 2002. He is a member of its Board Risk Oversight Committee (since May 12, 2017) and Corporate Governance Committee (since February 6, 2019). He was previously a member of its Audit Committee (from June 2008 to February 2019) and Related Party Transactions Committee (from May 2017 to February 2019). He was Chairman of the former Executive Compensation Committee (from May 2006

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to May 2017) and Nomination and Hearing Committee (from November 2013 to May 2017). Mr. Jimenez is a Director of listed company San Miguel Corporation and private company Magnolia Inc. He is the Chairman of several Philippine companies, including Majent Management and Development Corporation, Coffee Bean and Tea Leaf Holdings, Inc., Dasoland Holdings Corporation, Menarco Property Development & Management Corporation, and Meedson Properties Corporation. He was previously Chairman of United Coconut Planters Bank (from 2011 to 2017). Mr. Jimenez holds a Bachelor's Degree in Commerce from Far Eastern University and is a Certified Public Accountant. Among others, he was conferred Doctorates in Business Management *Honoris Causa* by University of Pangasinan and *Pamantasan ng Lungsod ng Maynila*.

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

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

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

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

Minita V. Chico-Nazario†, Filipino, was an independent and non-executive director of the Company until her demise on February 16, 2022. She held these positions since May 8, 2015. She was also Chairman of the Company's Corporate Governance Committee (since May 12, 2017) and member of the Related Party Transactions Committee (since May 12, 2017), and Board Risk Oversight Committee (since February 6, 2019). Previous to these positions, she was a member of the Company's Executive Committee and Audit Committee (from May 2015 to February 2019). Justice Nazario was likewise an

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Independent Director of listed companies Top Frontier Investment Holdings, Inc. and Ginebra San Miguel Inc., and private company San Miguel Properties, Inc.; and Director of Philippine Grains International Corporation and Mariveles Grain Corporation. She was also a Legal Consultant of United Coconut Planters Bank and Tan Acut Lopez & Pison Law Offices. She was also the Dean of the College of Law of the University of Perpetual Help System DALTA in Las Piñas City. She served the Judiciary in various capacities for 47 years, with the last position she held being Associate Justice of the Supreme Court (from February 2004 to December 2009). Justice Nazario obtained a Bachelor of Arts and a Bachelor of Laws Degree from University of the Philippines and is a member of the New York State Bar.

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

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

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

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Key Officers

Ildefonso B. Alindogan, Filipino, 47, was appointed Vice President, Chief Finance Officer and Chief Strategy Officer of the Company on July 5, 2018. He is currently a director of The Purefoods-Hormel Company, Inc., Magnolia Inc., San Miguel Mills, Inc. and a member of the Board of Commissioners of PT San Miguel Foods Indonesia. He was previously a director of San Miguel Foods, Inc. He joined the San Miguel Group of companies on April 26, 2018. Before joining San Miguel, he was employed at Standard Chartered Bank, Manila, as Executive Director – Head of Philippines FX and Rates Trading, Financial Markets (September 2012 to March 2018) and Director – Sales, Financial Markets (September 2010 to August 2012). Prior to Standard Chartered Bank, he held positions in Treasury and Corporate Finance for various financial institutions. Mr. Alindogan holds a Bachelor of Science Degree in Management Engineering (Honors Program) from Ateneo De Manila University and a Masters in Business Administration, Major in Finance from The Wharton School, University of Pennsylvania.

Alexandra Bengson Trillana, Filipino, 48, is the Corporate Secretary (since September 15, 2010), Compliance Officer (since August 8, 2016) and General Counsel (since June 5, 2019) of the Company. She is also Vice President and General Counsel of the Food Division; and Corporate Secretary of San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Golden Food Management, Inc., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., and Foodcrave Marketing, Inc. Atty. Trillana holds a Bachelor's Degree in Commerce Major in Legal Management from De La Salle University and a Juris Doctor Degree from Ateneo de Manila University School of Law.

Kristina Lowella I. Garcia, Filipino, 48, was appointed Assistant Vice President and Investor Relations Manager of the Company effective August 1, 2018. She was previously a Director for Investor Relations of Century Properties Group, Inc. (January 2013 to July 2018). She was likewise Director for Investor Relations of Megaworld Corporation and, subsequently, Alliance Global Group, Inc. (March 2007 to September 2012). Ms. Garcia holds a Bachelor of Arts Degree from Ateneo De Manila University, a Certificate in Business Administration from Georgetown University, and a Masters in Business Administration from John Hopkins University.

Board Attendance

In 2021, the Board of Directors held six (6) meetings. Set out below is the record of attendance of the directors in these meetings is as follows:

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

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Ricardo C. Marquez *Independent Director*	Present	Present	Present	Present	Present	Present
Cirilo P. Noel *Independent Director*	Present	Present	Present	Present	Present	Present
Winston A. Chan *Independent Director*	Present	Present	Present	Present	Present	Present

Also in the year 2021, the stockholders held the annual stockholders' meeting on June 2. The attendance of the directors in this meeting is as follows:

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

Term of Office

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office for a term of one (1) year and until the election and qualification of their successors, unless he resigns, dies or is removed prior to such election.

The Company's Amended By-Laws provide that the annual stockholders' meeting shall be held on the first Wednesday of June of every year.

Independent Directors

The independent directors of the Company in 2021 were Mr. Carmelo L. Santiago†, Ms. Minita V. Chico-Nazario†, Mr. Ricardo C. Marquez, Mr. Cirilo P. Noel and Mr. Winston A. Chan. However, Mr. Carmelo L. Santiago was no longer re-elected as independent director of the Company during the Company's annual stockholders' meeting on June 2, 2021 pursuant to SEC Memorandum Circular No. 4, Series of 2017, which bars the re-election of an independent director who has served as such in the same company for a maximum cumulative term of nine (9) years. All the independent directors of the Company are independent of its management and substantial shareholders.

The Board appointed Ms. Minita V. Chico-Nazario[†] as lead director from among the Company's independent directors, granting her the authority to lead the Board of Directors in cases where management had clear conflicts of interest.

Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

Mr. Ramon S. Ang is the father of Mr. John Paul L. Ang. There are no other family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

Intermediate Parent Company

As of December 31, 2021, SMC owns and controls 5,245,082,440 common shares comprising 88.76% of the outstanding capital stock of the Company entitled to vote.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Item 10. Executive Compensation

The aggregate compensation paid or incurred during the last two (2) fiscal years, as well as those estimated to be paid in the ensuing fiscal year, to the Company's Chief Executive Officer and Senior Executive Officers are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers[1]	2022 (estimated)	P102.1 Million	P25.1 Million	P6.7 Million	P133.9 Million
	2021	P101.8 Million	P16.5 Million	P8.0 Million	P126.3 Million
	2020	P99.2 Million	P17.2 Million	P7.1 Million	P123.5 Million

[1] *The Chief Executive Officer and Senior Executive Officers of the Company for 2022, 2021 and 2020 are as follows: Ramon S. Ang, Roberto N. Huang, Francisco S. Alejo III, Emmanuel B. Macalalag and Ildefonso B. Alindogan.*

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
All other officers and directors as a group unnamed	2022 (estimated)	P615.1 Million	P152.0 Million	P179.8 Million	P946.9 Million
	2021	P622.4 Million	P97.3 Million	P185.4 Million	P905.1 Million
	2020	P645.8 Million	P130.9 Million	P181.6 Million	P958.3 Million
TOTAL	2022 (estimated)	P717.2 Million	P177.1 Million	P186.5 Million	P1,080.8 Million
	2021	P724.2 Million	P113.8 Million	P193.4 Million	P1,031.4 Million
	2020	P745.0 Million	P148.1 Million	P188.7 Million	P1,081.8 Million

Section 29 of the Revised Corporation Code of the Philippines (the "Law") provides that in the absence of any provision in the by-laws fixing their compensation, directors shall not receive any compensation in their capacity as such, except for reasonable per diems; Provided, however, that the stockholders representing at least a majority of the outstanding capital stock may grant directors with compensation and approve the amount thereof at a regular or special meeting.

Article II, Section 5 of the By-laws of the Company provides that the members of the Board of Directors shall each be entitled to a director's fee in the amount to be fixed by the stockholders at a regular or special meeting duly called for that purpose.

In view of the foregoing, considering that (a) the By-laws of the Company does not fix a compensation for directors, and (b) the stockholders have not granted directors any compensation or director's fee, the Company's directors do not receive any compensation or director's fee from the Company.

As allowed by the Law, however, each director receives a reasonable per diem of P25,000.00 for each Board meeting attended, and P20,000.00 for each Board Committee meeting attended. The directors did not participate in the determination of such per diems.

The Company paid a total of P3,060,000.00 in per diem allowances to the Board of Directors for meetings attended by them in 2021, as follows:

Executive Directors[2]	P 740,000.00
Non-executive Directors (other than Independent Directors)[3]	1,190,000.00
Independent Directors[4]	1,130,000.00
TOTAL	P 3,060,000.00

[2] *Comprised of Ramon S. Ang, Roberto N. Huang, Francisco S. Alejo III and Emmanuel B. Macalalag.*

[3] *Comprised of Ferdinand K. Constantino, Aurora T. Calderon, Joseph N. Pineda, Menardo R. Jimenez, Ma. Romela M. Bengzon, Francis H. Jardeleza and John Paul L. Ang (first elected on June 2, 2021).*

[4] *Comprised of Carmelo L. Santiago† (who served until June 2, 2021), Minita V. Chico-Nazario†, Ricardo C. Marquez, Cirilo P. Noel and Winston A. Chan.*

A breakdown of the per diem allowances received by each director for meetings attended by them in 2021 is provided below:

Director	Per Diems
Ramon S. Ang	P190,000.00
Francisco S. Alejo III	190,000.00
Roberto N. Huang	190,000.00
Emmanuel B. Macalalag	170,000.00
Ferdinand K. Constantino	250,000.00
Aurora T. Calderon	230,000.00
Joseph N. Pineda	150,000.00
Menardo R. Jimenez	210,000.00
Ma. Romela M. Bengzon	150,000.00
Francis H. Jardeleza	150,000.00
John Paul L. Ang	50,000.00
Carmelo L. Santiago†	90,000.00
Minita V. Chico-Nazario†	230,000.00
Ricardo C. Marquez	290,000.00
Cirilo P. Noel	250,000.00
Winston A. Chan	270,000.00
TOTAL	**P3,060,000.00**

There are no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, by the Company for services rendered during the last fiscal year, and the ensuing fiscal year.

There are no employment contracts between the Company and its executive officers.

There are neither compensatory plans nor arrangements with respect to an executive officer that results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

There are no outstanding warrants or options held by the Company's President, named executive officers and all directors and officers as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of record of more than 5% of the Company's voting[5] securities as of December 31, 2021 are as follows:

[5] *The holders of common shares have the right to vote on all matters requiring stockholders' approval.*

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Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Ownership to Capital Stock
Common	San Miguel Corporation[6] SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City 1550, parent company of issuer	San Miguel Corporation	Filipino	5,245,082,440	88.7610%
Common	PCD Nominee Corporation[7] 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various[8]	Non-Filipino	402,046,574	6.8037%

[6] *The Board of Directors of SMC authorizes any one Group A signatory or any two Group B signatories to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto, Joseph N. Pineda and Bella O. Navarra. The Group B signatories of SMC are Cecile Caroline U. de Ocampo, Lorenzo G. Formoso III, Almira C. Dalusung, Ma. Raquel Paula G. Lichauco, Joseph Francis M. Cruz and Ildefonso B. Alindogan.*

[7] *Registered owner of shares held by participants in the Philippine Central Depository, Inc.,* a *private company organized to implement an automated book entry of handling securities in the Philippines.*

[8] *None of the holders of the Company's common shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's shares.*

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The following are the number of shares of the Company's capital stock, all of which are voting shares, owned of record by the directors and key officers of the Company as of the start of the year, and as of the year ended December 31, 2021:

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

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

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

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days, from options, warrants, conversion privileges or similar obligations or otherwise.

There is no person holding more than 5% of the Company's voting securities under a voting trust or similar agreement.

Since the beginning of the last fiscal year, there were no arrangements, which resulted in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company recognizes that under the law, in order for a contract with an officer not to be voidable, the contract should be fair and reasonable under the circumstances and should have been previously authorized by the Board of Directors. The Company also recognizes that under the law, in order for a contract with a director not to be voidable, the presence of such director in the board meeting in which the contract was approved should not be necessary to constitute a quorum for such meeting, and the vote of such director should not be necessary for the approval of the contract. The contract should also be fair and reasonable under the circumstances.

The Company observes an arm's length policy in its dealings with related parties. Any transactions with affiliates and other related parties are entered into in the ordinary course of business. These transactions consist principally of sale and/or purchase of goods and/or services. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. The Company does not enter into related party transactions that can be classified as financial assistance granted by the Company to subsidiary or affiliate entities.

Moreover, consistent with the Company's Manual on Corporate Governance that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements. The Company's transactions with related parties are described in Note 30 (Related Party Disclosures) of the Company's 2021 Audited Consolidated Financial Statements attached hereto as **Annex "B"**, as well as the discussion under *Transactions with and/or Dependence on related parties* in Item 1 (Business) of this report.

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company.

The Human Resources Division of the Company ensures the implementation of the Company's policy against conflict of interests and the misuse of inside and proprietary information throughout the organization. Employees are required to promptly disclose any business and family-related interest or involvement, which, by nature, may directly or indirectly conflict with the interests of the Company to ensure that such potential conflicts of interest are surfaced and brought to the attention of management for resolution.

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PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to the 2021 SEC Integrated Annual Corporate Governance Report (I-ACGR) of the Company, which shall be submitted to the SEC on or before May 30, 2021, and thereafter posted on the Company's corporate website www.smfb.com.ph within five business days from submission to the SEC in compliance with SEC Memorandum Circular No. 15, series of 2017.

Please refer to the 2021 Sustainability Report of the Company attached hereto as **Annex "H"**, in accordance with SEC Memorandum Circular No. 4, series of 2019.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(A) Exhibits

The 2021 Audited Consolidated Financial Statements and the Supplementary Schedules (including the reports of the external auditors on the Supplementary Schedules) are attached hereto as **Annex "B"**.

(B) Reports on SEC Form 17-C

The Report on each SEC Form 17-C filed during the last 12-month period covered by this Report is attached hereto as **Annex "G"**.

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SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code of the Philippines, this Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on April 6, 2022.

By:

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

ILDEFONSO B. ALINDOGAN
Vice-President, Chief Finance Officer
and Chief Strategy Officer

ALEXANDRA B. TRILLANA
General Counsel, Corporate Secretary
and Compliance Officer

APR 06 2022

SUBSCRIBED AND SWORN to before me this _______ day of _____, 2022 affiants exhibiting to me their Passports, as follows:

NAME	PASSPORT NO.	EXPIRY DATE	PLACE OF ISSUE
Ramon S. Ang	P2247867B	May 21, 2029	Manila
Ildefonso B. Alindogan	P6935095B	June 6, 2031	Manila
Alexandra B. Trillana	P1495082A	April 13, 2028	NCR East

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Doc. No. 58;
Book No. VI;
Series of 2022.

MARIA JESSICA ERLINDA ANGELA M. GARCIA
Notary Public for Pasig City
Commission until 31 December 2022
100 E. Rodriguez Jr. Avenue (C5 Road)
Barangay Ugong, Pasig City 1604
APPT No. 3 (2021-2022)/Roll No. 66422
IBP Life Member No. 015084; 6/6/2016, Quezon City
PTR No. 8206939; 1/21/2022; Pasig City
MCLE Compliance No. VI-0015340, 11/28/2018

Annex "A"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

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

I. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

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

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

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

II. FINANCIAL PERFORMANCE

2021 vs 2020

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

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

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

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

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

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

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

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

Interest Expense and Other Financing Charges
Consolidated interest expense and other financing charges decreased by 15% from P3,941 million in 2020 to P3,360 million in 2021. The decrease was mainly due to the lower interest rates during the period.

Interest Income
Consolidated interest income decreased by 36% from P734 million in 2020 to P468 million in 2021. The decrease was primarily due to lower money market placements and lower interest rates.

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

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

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

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

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

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

Net Income after Tax and Non-Controlling Interests
As a result of the foregoing, the Group's consolidated net income after tax and non-controlling interests increased by 59% to P19,791 million for the year ended December 31, 2021 versus the P12,476 million for the year ended December 31, 2020. Net income after tax and non-controlling interests of the Beer and NAB segment increased by 17% from P8,781 million in 2020 to P10,247 million in 2021, net income after tax and non-controlling interests of the Spirits segment increased by 69% from P1,875 million in 2020 to P3,167 million in 2021, and net income after tax and non-controlling interests of the Food segment increased by 250% from P1,820 million in 2020 to P6,377 million in 2021 (inclusive of operating and interest expenses of the Parent Company amounting to P821 million).

Business Highlights for the year ended December 31, 2021

Beer and NAB
The Beer and NAB segment's consolidated revenue reached P116,280 million as of year-end 2021, 8% higher than the previous year's revenue. Domestic operations contributed P105,114 million while international operations contributed US$227 million.

Cost of sales increased by 8% to P71,385 million as of December 2021 with the higher sales volume of both domestic and international operations, and the increase in excise tax rate in the Philippines effective January 2021. Domestic operations accounted for P65,234 million and international operations recorded US$125 million.

Consequently, income from operations rose to P26,917 million, 10% higher than in 2020. Domestic operations contributed P25,224 million while international operations contributed US$35 million.

The business was able to recover from the effects of the pandemic in 2020 as sales volume increased in 2021 with the easing of restrictions coupled with the company-initiated consumption-generating programs and direct-to-consumer initiatives.

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

International Beer Operations

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

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

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

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

Spirits
The Spirits segment capped off another stellar year, posting sales growth of 17% to P42,529 million in 2021. This was a result of an 8% increase in volumes to an all-time high of approximately 42 million cases, as well as modest price increases. Similarly, cost of sales increased by 18% from year ago, mainly due to higher volume sold. This resulted to gross profit of P10,773 million which is 17% higher than that in 2020.

Interest expense and other financing charges declined in 2021 versus last year primarily from savings in loan settlements. On the other hand, interest income posted a 15% increase from the previous year due to higher money market placements with longer maturity period and higher interest rates.

A gain on sale of investments was recognized in 2021 for the sale of various assets. Other income also increased generally from the higher tolling income and insurance claim settlement.

With the sustained revenue growth coupled with effective cost management, the Spirits segment's net income rose 52% to P4,179 million versus 2020.

Food

The Food segment posted consolidated revenues of P150,969 million, 12% higher compared to same period in 2020 as the group sustained its strong performance, even exceeding pre-pandemic levels. Almost all businesses delivered double-digit revenue growth, on higher sales volume and better selling prices as a result of sales drive towards value-added products, as well as successive price increase implementation, especially in the second half of 2021 when costs of major raw materials started to rise.

The Protein business, consisting of poultry and fresh meats, pushed revenues up to P65,132 million, 14% higher than 2020 level, on account of better selling prices. Chicken selling prices have been stable for most part of 2021 as the business was able to keep its inventory at optimum levels, even as industry inventory ballooned due to the influx of imported frozen chicken. Volume growth contribution from *lechon manok* accounts and the growing network of community-based outlets likewise boosted revenues. Meanwhile, fresh meats volumes were dampened by protocols related to African Swine Fever (ASF), limiting the movement of hogs and pork products, which resulted in lower meat shop sales in affected areas. Tight pork supply, however, kept pork selling prices on the high side.

The Animal Nutrition and Health business delivered revenues of P33,907 million, 12% higher than 2020 level as free-range fowl, layer, duck, and aquatic feeds sustained their robust growth on the back of farm expansions, introduction of new products, and aggressive efforts to penetrate new markets and grab market share from competitors. Demand for broiler feeds has also recovered with the improved supply of day-old chicks. Sale of hog feeds, on the other hand, showed slight recovery in the last quarter of 2021, aided by repopulation efforts in hog farms where ASF incidence was no longer reported.

Meanwhile, the Prepared and Packaged Food business, consisting of processed meats, dairy, spreads, biscuits, and coffee, registered revenues of P42,388 million, 6% higher than same period in 2020. Market-leading core products such as Tender Juicy® hotdogs, Purefoods® nuggets and bacon led volume achievement. New product offerings such as ready-to-eat viands, meat-free Veega®, spaghetti sauce and seafood nuggets continued to gain a foothold in the market and have registered robust growth. Meanwhile, revenues from dairy, spreads, biscuits, and coffee products were slightly lower, as pantry loading and the surge in home baking, which was experienced at the height of the lockdown, waned. Continued limited operation of foodservice outlets also restricted volume growth.

The Food segment's cost of sales increased to P116,165 million, up by 8% compared to 2020 on account of higher sales volume and rising costs of some major raw materials such as soybean meal, corn, feed wheat, imported meat materials and oils.

Driven by the strong and sustained recovery of the Protein business, better selling prices, higher volume, improved sales mix, and efficiency gains from the new company-owned facilities, the Food segment's gross profit rose to P34,804 million in 2021, 25% higher than last year's level.

Selling and administrative expenses of P23,285 million was 3% higher compared to same period in 2020. Direct deliveries of the Protein business' fresh poultry products from processing plants to customers and optimized utilization of company-owned facilities helped in tightly containing operating costs.

As a result, the Food segment's operating income leaped to P11,506 million, more than double that of 2020 and significantly higher than in pre-pandemic years.

2020 vs 2019

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

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

Sales

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

Cost of Sales

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

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

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

Gross profit

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

Selling and Administrative Expenses

Consolidated selling and administrative expenses decreased by 10% from P50,974 million in 2019 to P45,639 million in 2020. Selling and administrative expenses in the Beer and NAB segment decreased by 27% from P23,954 million in 2019 to P17,579 million in 2020, selling and administrative expenses in the Spirits segment increased by 7% from to P5,058 million in 2019 to P5,403 million in 2020, and selling and administrative expenses in the Food segment increased by 3% from P21,962 million in 2019 to P22,657 million in 2020 (includes other administrative expenses of the Parent Company amounting to P40 million and P51 million in 2019 and 2020, respectively). The decrease was primarily due to the lower advertising and promotions, and distribution expenses.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 26% from P3,120 in 2019 to P3,941 in 2020. The increase was mainly due to the higher interest-bearing debt balance of the Beer and NAB and Food segments in 2020, as well the Peso retail bonds issued by the Parent Company in 2020 to refinance the outstanding Peso preferred shares that were redeemed.

Interest Income

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

Equity in Net Losses of Joint Ventures

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

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

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

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

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

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

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

Net Income after Tax and Non-Controlling Interests
The Group's consolidated net income after tax and non-controlling interests, therefore, decreased by 32% to P12,476 million for the year ended December 31, 2020 versus the P18,278 million for the year ended December 31, 2019. Net income after tax and non-controlling interests of the Beer and NAB segment decreased by 36% from P13,674 million in 2019 to P8,781 million in 2020, net income after tax and non-controlling interests of the Spirits segment increased by 65% from P1,137 million in 2019 to P1,875 million in 2020, and net income after tax and non-controlling interests of the Food segment decreased by 48% from P3,467 million in 2019 to P1,820 million in 2020 (inclusive of operating and interest expenses of the Parent Company amounting to P750 million).

Business Highlights for the year ended December 31, 2020

Beer and NAB
The Beer and NAB segment's consolidated revenue reached P107,923 million as of year-end 2020, 24% lower than the previous year's revenue due to the impact of the global pandemic. Domestic operations contributed P97,823 million while international operations contributed US$204.6 million.

Cost of sales decreased by 17% to P65,870 million as of December 2020 with the lower sales volume of both domestic and international operations, despite the increase in domestic excise taxes per liter in February 2020. Domestic operations accounted for P60,283 million and international operations recorded US$113.3 million.

Selling and administrative expenses amounted to P17,579 million, 27% lower than in 2019 largely due to the decline in freight, trucking and handling costs and advertising and promotions expenses. Domestic operations accounted for P14,274 million while international operations accounted for US$66.7 million.

Consequently, income from operations dropped to P24,474 million, 37% lower than in 2019. Domestic operations contributed P23,266 million while international operations contributed US$24.7.

The business sustained its recovery in the fourth quarter of 2020 posting a growth in sales volume of 19.4% in the fourth quarter of 2020 compared with the third quarter's volume with the easing of restrictions coupled with the company-initiated consumption-generating programs and direct-to-consumer initiatives.

However, despite these factors, uncertainties caused by the pandemic brought a change in consumer priorities which centered mostly on food and other basic items. Thus, 2020 beer and NAB volume still ended lower than in 2019 by 34.1%. This translated to a 38.6% or P10,320 million decline in net income.

International Beer Operations

SMBIL registered US$204.6 million in consolidated revenue as of December 31, 2020, 23% lower than in 2019 as a result of the 22% shortfall in volumes. Excluding the North China operations, which had ceased operations in 2020, total volume was 11% behind 2019.

As reported in the third quarter of 2020, SMBIL made a strategic decision to stop the operations in North China, even prior to the COVID-19 pandemic. As such, the North China unit was closed in end-January 2021 and is currently undergoing the liquidation process.

In November 2020, the selling and distribution of San Miguel brands in South China were transitioned from GSMB into SMGB, which is the source brewery for San Miguel Beer sold in the region. SMBIL purposively decided not to renew the GSMB joint venture agreement after its expiration. GSMB is currently undergoing liquidation. The integration of the sales, marketing and brewing functions into SMGB is expected to improve the cost structure and efficiency of operations.

The impact of the COVID-19 pandemic in all of the operating business units of SMBIL resulted in lower volumes of the local and global San Miguel brands by 24% and 3%, respectively. The decline was more severe in the first half of 2020, with volumes 17% lower than in 2019, but some recovery had been noted in the second semester with volume decline narrowing down to 7% versus the same period in 2019.

As most of the markets went through varying degrees of lockdowns and restrictions especially in the first half of 2020, only the Indonesia and Thailand units were the ones severely hit by the pandemic due to their high on-premise exposure. In addition, the restriction on tourist arrivals in major destinations in various markets where San Miguel is particularly strong was in effect for most months of the year. In South China, on- and off-premise outlets were slowly recovering since the resumption of business operations. In Hong Kong, the impact of the pandemic in on-premise channels was minimized by growing the volumes in modern trade off-premise and wholesaler channels. Similarly, the Vietnam operations was able to offset the negative impact of lower sales of the San Miguel brand in the on-trade segment with growth in the supermarkets and convenience stores, as well as with higher W1n Bia volumes in the economy segment. SMBIL's Exports business grew by 6% in 2020 versus in 2019, benefitting from the growth in the off-premise channels in Korea, as well as in the United Arab Emirates. The recovery of volumes in Sudan and Qatar, new markets opened and some volume growth in Malaysia, Canada and the Pacific Islands, offset the impact of the different levels of lockdowns and restrictions in Singapore, USA and many other countries, on volume.

SMBIL's 2020 consolidated operating income reached US$24.65 million, 29.8% behind 2019 due to the decline in volumes, partly tempered by lower fixed costs, particularly sales and marketing expenses.

<u>Spirits</u>
The Spirits segment ended 2020 on a stronger note as consolidated revenue grew 25% to P36,198 million from P29,063 million in 2019, driven by higher volume and price increase. Similarly, cost of sales increased by 28% from 2019, mainly due to higher volume and increase in excise taxes. This resulted to gross profit of P9,209 million which is 16% higher than in 2019.

Interest expense and other financing charges improved in 2020 versus in 2019 driven by the significant decline in interest-bearing liabilities. The 156% spike for other income was due to the recognized MTM gains.

No further losses on equity investment in joint ventures was recognized in 2020. On the other hand, retirement of various assets brought about the loss on disposal and retirement of property and equipment and other noncurrent assets amounting to P15 million in 2020.

Food

The Food segment posted consolidated revenues of P135,169 million, 3.1% lower compared to 2019. Sales performance in the first three quarters of 2020 was adversely affected by restrictive quarantine protocols amid the COVID-19 pandemic. Recovery of sales volume was seen as the economy gradually reopened in the fourth quarter and through the Christmas season.

The Protein business, consisting of poultry and fresh meats, registered revenues of P57,383 million, 9.8% lower than in 2019, heavily weighed down by the adverse impact of the pandemic and the ASF outbreak. The slowdown in sales to foodservice chains and lechon manok customers that was brought about by the temporary closure of operations during periods of Enhanced Community Quarantine, resulted in substantial build-up of frozen chicken inventory in the second quarter of 2020. As quarantine measures also limited market days and lessened foot traffic in wet markets, the business opened a new channel, community resellers, which managed to take up some of the slack. However, to reduce inventory to a normal level by year-end, the business also implemented an aggressive move out plan pushing volumes at lower selling prices, even below cost to produce. The improvement in chicken prices, which started in October, helped lift revenues, but not enough to recoup losses in the first three quarters of the year. Meanwhile, the spread of ASF in the country continued to slow down production and sales of marketable hogs, and to curtail the ability of business to deliver products to different parts of the country.

The Animal Nutrition and Health business recorded revenues of P30,160 million, 2.2% behind 2019's level primarily due to the drop in hog and broiler feeds sales as well as tactical price adjustments. Sales of hog feeds declined amidst the continuing contraction of the hog industry due to ASF-related mortalities and downsizing of farms. Sales of broiler feeds also went down, as farmers cut down on populating their farms given the low farm gate prices. Cushioning the volume deficit was the robust performance achieved by free range fowl feeds, which benefitted from longer feeding period.

The Prepared and Packaged Food business, consisting of processed meats, dairy, spreads, ice cream, biscuits and coffee, posted revenues of P40,062 million, 9.8% higher than in 2019 driven by increased sales volume and better sales mix. Higher demand for packaged food products for in-home consumption lifted sales of premium quality products such as Purefoods Tender Juicy® hotdog, Purefoods® Corned Beef, SPAM®, Magnolia® cheese, margarine, milk, and flour premix products. The Tender Juicy® Chicken hotdog, which was the business' answer to pork restrictions, proved to be a hit among the consumers, and registered high double-digit growth. New products such as Purefoods® seafood line, Veega®, the business' first venture into plant-based food, and Purefoods® ready-to-eat meals were also well-received by the market and contributed to volume growth.

The Food segment's cost of sales at P107,407 million was 3.5% lower than in 2019 due to lower cost of most of the major raw materials such as corn, soybean meal, feed wheat and anhydrous milkfat, complemented by improved product mix as well as cost-reduction initiatives.

Gross profit at P27,762 million was 1.2% lower compared to 2019's level mainly on account of the poultry business' significant margin squeeze brought about by low foodservice sales and weak selling prices.

Selling and administrative expenses increased by 3.1% to P22,577 million, mainly due to COVID-19-related costs such as swab tests, meals and special incentives for production, logistics and merchandising personnel to continuously sustain supply chain operations and selling activities despite quarantine restrictions.

As a result, the Food segment's income from operations was weighed down to P5,185 million, 16.6% lower than in 2019.

III. FINANCIAL POSITION

2021 vs 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>2020 vs 2019</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

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

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

Net cash used in investing activities include the following:

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

Net cash used in financing activities consist of the following:

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

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

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

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

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

VI. KEY PERFORMANCE INDICATORS

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

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

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

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

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

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

VII. OTHER MATTERS

a) Declaration of Cash Dividends

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

b) Contingencies

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

c) Commitments

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

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

d) Foreign Exchange Rate

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

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

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

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

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

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

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

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

SAN MIGUEL
FOOD AND BEVERAGE, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

FERDINAND K. CONSTANTINO
Treasurer

ILDEFONSO B. ALINDOGAN
Vice-President and Chief Finance Officer

Signed this 9th day of March 2022

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

Before me, a Notary Public for and in PASIG CITY City this MAR 1 7 2022 day of ________________ 2022, personally appeared:

Name	Passport No.	Expiry Date/Place Issued
Ramon S. Ang	P2247867B	May 21, 2029 / Manila
Ferdinand K. Constantino	P6892447B	June 1, 2031/DFA NCR East
Ildefonso B. Alindogan	P6935095B	June 6, 2031/ Manila

Known to me to be the same persons who executed the foregoing Statement of Management's Responsibility consisting of two (2) pages including this page on which this acknowledgement is written and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

In WITNESS WHEREOF, I have affixed my notarial seal at the date and place first above written.

MARIA JESSICA ERLINDA ANGELA M. GARCIA
Notary Public for Pasig City
Commission until 31 December 2022
100 E. Rodriguez Jr. Avenue (C5 Road)
Barangay Ugong, Pasig City 1604
APPT No. 3 (2021-2022)/Roll No. 66422
IBP Life Member No. 015084; 6/6/2016, Quezon City
PTR No. 8206939; 1/21/2022; Pasig City
MCLE Compliance No. VI-0015340, 11/28/2018

Doc. No. 285 ;
Page No. 42 ;
Book No. VI ;
Series of 2022

ANNEX "B"

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

11840

COMPANY NAME

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

100 E. Rodriguez Jr. Avenue (C5 Road), Barangay Ugong Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	(02) 5317-5000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
173	June 1	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ildefonso B. Alindongan	N/A	(02) 5317-5000	N/A

CONTACT PERSON's ADDRESS

100 E. Rodriguez Jr. Avenue C5 Road, Ugong, Pasig City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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REPORT OF INDEPENDENT AUDITORS

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

- We evaluated and assessed the methodology applied in the impairment review in accordance with PAS 36.

- We have updated our understanding of the management's annual impairment process.

- We evaluated the reasonableness of the future cash flow forecasts, by comparing them with the latest Board of Directors' approved budgets and considered the historical accuracy of management's forecasts by comparing prior year forecasts to actual results.

- We challenged the key assumptions for long term growth rates in the forecasts by comparing them with historical results, economic and industry forecasts which considered market response and expectations after the imposition and ease of government restrictions related to COVID-19; and the discount rate used by recalculating the Group's weighted average cost of capital using market comparable information.

- We have involved our own valuation specialist and subject matter expert in the evaluation.

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

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

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

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

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

- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.

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

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

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

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

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

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

R.G. MANABAT & CO.

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

March 18, 2022
Makati City, Metro Manila

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

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Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

(In Millions)

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

Forward

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

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

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

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

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(In Millions)

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

See Notes to the Consolidated Financial Statements.

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

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

Forward

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

Forward

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

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Millions)

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

Forward

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

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Unless Otherwise Indicated)

1. Reporting Entity

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

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

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

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

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

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

2. Basis of Preparation

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

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

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

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

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

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

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

Forward

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

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

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

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

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

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

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

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

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

3. Significant Accounting Policies

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

Adoption of Amended Standard

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

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

Amended Standards but Not Yet Adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  - o Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

  - o Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

  - o Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current versus Noncurrent Classification

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

Financial Liabilities

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

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

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

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

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

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

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

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

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

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

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

Offsetting Financial Instruments

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

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contract Assets

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

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

Business Combination

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

- the Group has the right to direct the use of the identified asset.

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Containers

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

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

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

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

Impairment of Non-financial Assets

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

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

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

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

Contract Liabilities

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

Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

Provisions

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

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

Capital Stock and Additional Paid-in Capital

Common Shares

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

Preferred Shares

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

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

Additional Paid-in Capital

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

Retained Earnings

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

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

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

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

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

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

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

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

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend Income. Dividend income is recognized when the Group's right to receive the payment is established.

Rent Income. Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

<u>Costs and Expenses</u>
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

<u>Borrowing Costs</u>
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Income and other taxes payable” accounts in the consolidated statements of financial position.

<u>Related Parties</u>
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

<u>Basic and Diluted Earnings Per Common Share (EPS)</u>
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

<u>Operating Segments</u>
The Group’s operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

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

Determining whether a Contract Contains a Lease. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Operating Lease Commitments - Group as Lessor. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the consolidated statements of income amounted to P181, P180 and P173 in 2021, 2020 and 2019, respectively (Notes 27, 30 and 32).

Rent expense recognized in the consolidated statements of income amounted to P2,680, P3,182 and P3,118 in 2021, 2020 and 2019, respectively (Notes 23, 24, 30 and 32).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group’s lease liabilities amounted to P4,834 and P4,782 as at December 31, 2021 and 2020, respectively (Notes 32, 33, and 34).

Distinction Between Investment Property and Owner-occupied Property. The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Evaluating Control over its Investee. Determining whether the Group has control in an investee requires significant judgment. Although the Group owns less than 50% of the voting rights of BPI, management has determined that the Group has control in this entity by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee.

The Group receives substantially all of the returns related to BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (TGT) as joint ventures (Note 12).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 34.

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 36).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade receivables is not material because substantial amount of trade receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Trade receivables written off amounted to P186 and P119 in 2021 and 2020, respectively. The allowance for impairment losses on trade receivables amounted to P439 and P589 as at December 31, 2021 and 2020, respectively. The carrying amount of trade receivables amounted to P20,034 and P17,794 as of December 31, 2021 and 2020, respectively (Note 8).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and

- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2021 and 2020.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Other Financial Assets at Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	*7*	**P41,483**	P36,358
Other current receivables - net (included under “Trade and other receivables - net” account	*8*	**3,790**	3,362
Noncurrent receivables and deposits - net (included under “Other noncurrent assets - net” account)	*17*	**198**	226

The allowance for impairment losses on noncurrent receivables and deposits, included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position, amounted to P42 as of December 31, 2020 (Note 17).

Fair Value Measurements. A number of the Group’s accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 10, 12, 13, 14, 15, 16, 17, 19 and 34.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P966, P918 and P727 in 2021, 2020 and 2019, respectively (Note 9).

The carrying amount of inventories amounted to P44,429 and P35,393 as at December 31, 2021 and 2020, respectively (Note 9).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets, Investment Property and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P105,016 and P97,506 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P65,821 and P61,224 as at December 31, 2021 and 2020, respectively (Note 13).

Right-of-use asset, net of accumulated depreciation and amortization amounted to P4,824 and P4,901 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of right-of-use asset amounted to P2,172 and P1,818 as at December 31, 2021 and 2020, respectively (Note 14).

Investment property, net of accumulated depreciation and amortization amounted to P3,393 and P2,959 at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of investment property amounted to P682 and P613 as at December 31, 2021 and 2020, respectively (Note 15).

Deferred containers, net of accumulated amortization, included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position amounted to P26,554 and P26,092 as at December 31, 2021 and 2020, respectively. Accumulated amortization of deferred containers amounted to P17,667 and P15,417 as at December 31, 2021 and 2020, respectively (Note 17).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, net of accumulated amortization, included as part of "Other intangible assets - net" account in the consolidated statements of financial position, amounted to P137 and P89 as at December 31, 2021 and 2020, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P1,227 and P1,192 as at December 31, 2021 and 2020, respectively (Note 16).

Impairment of Goodwill, Trademarks and Brand Names, Licenses, and Formulas and Recipes, and Franchise with Indefinite Useful Lives. The Group determines whether goodwill, trademarks and brand names, licenses, formulas and recipes, and franchise are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names, licenses, formulas and recipes, and franchise. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names, licenses, formulas and recipes, and franchise and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P996 as at December 31, 2021 and 2020 (Note 16).

The combined carrying amounts of trademarks and brand names, licenses, and formulas and recipes, and franchise with indefinite useful lives amounted to P39,029 and P39,455 as at December 31, 2021 and 2020, respectively (Note 16).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The carrying amounts of goodwill and other intangible assets with indefinite lives arising from business combinations amounted to P40,025 and P40,451 as at December 31, 2021 and 2020, respectively (Note 16).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P2,137 and P2,857 as at December 31, 2021 and 2020, respectively (Note 28).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on non-financial assets amounted to P15,843 and P14,364 as at December 31, 2021 and 2020, respectively (Notes 10, 12, 13, 14, 15, 16 and 17).

The combined carrying amounts of investments, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets amounted to P128,271 and P120,965 as at December 31, 2021 and 2020, respectively (Notes 10, 12, 13, 14, 15, 16 and 17).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P18,306 and P18,135 as at December 31, 2021 and 2020, respectively (Note 29).

Asset Retirement Obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as at December 31, 2021 and 2020.

5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments in shares of stock of subsidiaries:

a. On December 4, 2020, the BOD of SMB approved the amendment of the SMB's primary purpose or Article II of its Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products it is authorized to manufacture, sell or otherwise deal in and to submit the same for the approval of the SMB's stockholders by written assent. SMB received the written assent of stockholders representing more than two-thirds (2/3) of the SMB's total outstanding capital stock to the proposed amendment as of February 24, 2021 and filed an application to the SEC for the approval of the said amendment thereafter.

   On March 16, 2021, the SEC approved the amendment of SMB's primary purpose or Article II of SMB's Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products SMB is authorized to manufacture, sell or otherwise deal in.

b. On January 4, 2021, BOD of GSMI executed the redemption and payment of Preferred shares held by SMC and this effectively increased the Parent Company's ownership interest in GSMI from 67.99% to 75.78%.

c. On February 22, 2021, SMFI and Foodcrave entered into an Asset Purchase Agreement with Petron Corporation (Petron), for the sale of certain assets, properties and rights used in the convenience store business operating under the Treats and San Mig Food Ave marks, subject to certain conditions (the Transaction).

The closing of the Transaction was on March 1, 2021, whereby SMFI and Foodcrave transferred their rights, title and interest in certain identified intangible properties and intangible assets to Petron for a total consideration of P64.

d. On June 14, 2021, the Board of Directors (BOD) and the stockholders of SMFI approved the amendment of the primary purpose of SMFI to include the trading and distribution of household and urban hazardous substances. The amended Articles of Incorporation and By-Laws were approved by SEC on August 18, 2021.

e. On September 13, 2021, the subscription agreement dated March 18, 2015 with subscribed shares of 1,051,722 common shares out of the authorized capital stock for a total subscription price of $1,051,722 or $1.00 per common share was terminated effective immediately due to the current business condition of SMFIL. Both SMFIL and the Parent Company shall bear their respective expenses incurred in connection with the cancellation of the proposed subscription by the Parent Company in SMFIL and return of the deposit to the Parent Company.

f. In October 2021, in an effort to streamline its businesses, Magnolia ceased the operation of La Pacita biscuit acquired in February 2015. Accordingly, the Parent Company assessed the recoverable value of the trademarks, formulations, recipes and other intangible properties relating to La Pacita biscuit and flour-based snack business. It was determined that the carrying amount of the asset was higher than the recoverable amount. Impairment loss was recognized amounting to P386 to reduce the carrying amount of trademark to recoverable amount.

g. On November 10, 2021, the BOD of the Parent Company ratify the approval on the closure of the operations of PTSMFI effective October 31, 2021. The contribution by the Parent Company of the total amount of $3 representing its proportionate share to the total cash advances necessary to settle PTSMFI's outstanding obligations.

h. In 2021, SMMI recognized impairment loss amounting to P31 due to losses to its properties sustained from a fire incident occurred in its production plant in 2020.

i. In 2021, GBGTC recognized impairment loss amounting to P38 due to losses incurred from Typhoon Rolly and Ulysses in 2020.

The details of the Group’s material non-controlling interests are as follows:

	December 31, 2021		December 31, 2020	
	SMB	**GSMI**	SMB	GSMI
Percentage of non-controlling interests	**48.84%**	**24.22%**	48.84%	32.01%
Carrying amount of non-controlling interests	**P46,403**	**P2,718**	P41,145	P3,534
Net income attributable to non-controlling interests	**P10,202**	**P1,012**	P8,381	P882
Other comprehensive income (loss) attributable to non-controlling interests	**(P252)**	**(P8)**	(P522)	P28
Dividends paid to non-controlling interests	**P8,092**	**P -**	P7,941	P -

The following are the financial information of SMB and GSMI:

	December 31, 2021		December 31, 2020	
	SMB	**GSMI**	SMB	GSMI
Current assets	**P39,485**	**13,269**	P34,946	P10,874
Noncurrent assets	**105,329**	**5,128**	103,504	5,180
Current liabilities	**(28,017)**	**(5,956)**	(32,703)	(5,720)
Noncurrent liabilities	**(25,676)**	**(922)**	(20,742)	(882)
Net assets	**P91,121**	**P11,519**	P85,005	P9,452
Sales	**P116,286**	**P42,534**	P107,928	P36,202
Net income	**P20,449**	**P4,179**	P17,455	P2,757
Other comprehensive income (loss)	**1,337**	**34**	(881)	(89)
Total comprehensive income	**P21,786**	**P4,213**	P16,574	P2,668
Cash flows provided by operating activities	**P24,443**	**P2,529**	P23,596	P5,179
Cash flows used in investing activities	**(5,683)**	**(625)**	(13,139)	(388)
Cash flows used in financing activities	**(16,540)**	**(2,347)**	(16,112)	(2,322)
Effect of exchange rate changes on cash and cash equivalents	**458**	**3**	(611)	(4)
Net increase (decrease) in cash and cash equivalents	**P2,678**	**(P440)**	(P6,266)	P2,465

6. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed by SMFB separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three reportable segments, namely: Food, Beer and Non-alcoholic Beverage (NAB) and Spirits. Management identified and grouped the operating units in its operating segments with the objective of transforming the Group into a more rationalized and focused organization. The structure aims to boost efficiencies across the Group and raise effectiveness in defining and meeting the needs of consumers in innovative ways.

The Food segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds ("Animal Nutrition and Health"); (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations ("Others").

The Beer and NAB segment is engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets.

The Spirits segment is engaged in the production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other hard liquor variants which are available nationwide, while some are exported to select countries.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade payables and other current liabilities, and other noncurrent liabilities, excluding interest and dividends payable. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in the consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Financial information about reportable segments follows:

		2021					
	Note	**Food***	**Beer and NAB**	**Spirits**	**Total Reportable Segments**	**Eliminations**	**Consolidated**
Sales							
External		**P150,969**	**P116,280**	**P42,529**	**P309,778**	**P -**	**P309,778**
Inter-segment		**1**	**6**	**5**	**12**	**(12)**	**-**
Total sales		**P150,970**	**P116,286**	**P42,534**	**P309,790**	**(P12)**	**P309,778**
Segment operating result							**P43,695**
Interest expense and other financing charges							**(3,360)**
Interest income							**468**
Gain on sale of investments and property and equipment							**196**
Other charges - net							**(197)**
Income tax expense							**(9,385)**
Net income							**P31,417**
Attributable to:							
Equity holders of the Parent Company							**P19,791**
Non-controlling interests							**11,626**
Net income							**P31,417**
Other Information							
Segments assets		**P126,503**	**P103,528**	**P17,593**	**P247,624**	**(P62)**	**P247,562**
Investments		**20**	**5,137**	**-**	**5,157**	**-**	**5,157**
Right-of-use assets - net		**2,656**	**1,913**	**176**	**4,745**	**2**	**4,747**
Goodwill, trademarks and brand names		**3,582**	**33,606**	**819**	**38,007**	**-**	**38,007**
Other assets		**1**	**12**	**1**	**14**	**-**	**14**
Deferred tax assets		**1,019**	**618**	**500**	**2,137**	**-**	**2,137**
Consolidated total assets		**P133,781**	**P144,814**	**P19,089**	**P297,684**	**(P60)**	**P297,624**
Segment liabilities		**P40,004**	**P17,107**	**P5,756**	**P62,867**	**(P59)**	**P62,808**
Loans payable		**5,191**	**-**	**-**	**5,191**	**-**	**5,191**
Long-term debt		**41,687**	**31,388**	**330**	**73,405**	**-**	**73,405**
Lease liabilities		**3,357**	**1,287**	**191**	**4,835**	**(1)**	**4,834**
Income and other taxes payable		**1,297**	**3,718**	**590**	**5,605**	**-**	**5,605**
Dividends and interest payable		**89**	**193**	**11**	**293**	**-**	**293**
Deferred tax liabilities		**26**	**-**	**-**	**26**	**-**	**26**
Consolidated total liabilities		**P91,651**	**P53,693**	**P6,878**	**P152,222**	**(P60)**	**P152,162**
Capital expenditures	*13*	**P7,600**	**P2,681**	**P593**	**P10,874**	**P -**	**P10,874**
Depreciation and amortization of property, plant and equipment	*13, 25*	**2,703**	**1,780**	**578**	**5,061**	**-**	**5,061**
Non-cash items and others (excluding depreciation and amortization of property, plant and equipment)		**3,398**	**3,686**	**119**	**7,203**	**-**	**7,203**

** Includes operating expenses of the Parent Company*

	Note	2020					
		Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
Sales							
External		P135,169	P107,923	P36,198	P279,290	P -	P279,290
Inter-segment		1	5	4	10	(10)	-
Total sales		P135,170	P107,928	P36,202	P279,300	(P10)	P279,290
Segment operating result							P33,412
Interest expense and other financing charges							(3,941)
Interest income							734
Loss on sale of investments and property and equipment							(36)
Other income (charges) - net							1,619
Income tax expense							(9,387)
Net income							P22,401
Attributable to:							
Equity holders of the Parent Company							P12,476
Non-controlling interests							9,925
Net income							P22,401
Other Information							
Segments assets		P113,037	P97,273	P15,178	P225,488	(P102)	P225,386
Investments		18	4,837	4	4,859	-	4,859
Right-of-use assets - net		2,787	1,898	157	4,842	(18)	4,824
Goodwill, trademarks and brand names		4,007	33,512	819	38,338	-	38,338
Other assets		3	12	3	18	-	18
Deferred tax assets		1,356	918	583	2,857	-	2,857
Consolidated total assets		P121,208	P138,450	P16,744	P276,402	(P120)	P276,282
Segment liabilities		P33,943	P15,871	P5,542	P55,356	(P99)	P55,257
Loans payable		10,780	-	-	10,780	-	10,780
Long-term debt		34,692	31,911	496	67,099	-	67,099
Lease liabilities		3,362	1,263	177	4,802	(20)	4,782
Income and other taxes payable		1,633	4,034	377	6,044	-	6,044
Dividends and interest payable		101	366	8	475	-	475
Deferred tax liabilities		26	-	-	26	-	26
Consolidated total liabilities		P84,537	P53,445	P6,600	P144,582	(P119)	P144,463
Capital expenditures	*13*	P8,293	P5,248	P291	P13,832	P -	P13,832
Depreciation and amortization of property, plant and equipment	*13, 25*	2,149	1,578	630	4,357	(2)	4,355
Non-cash items and others (excluding depreciation and amortization of property, plant and equipment)		4,040	2,894	600	7,534	-	7,534

** Includes operating expenses of the Parent Company*

	Note	Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
		2019					
Sales							
External		P139,455	P142,267	P29,063	P310,785	P -	P310,785
Inter-segment		4	5	-	9	(9)	-
Total sales		P139,459	P142,272	P29,063	P310,794	(P9)	P310,785
Segment operating result		P6,176	P38,720	P2,878	P47,774	P7	P47,781
Interest expense and other financing charges							(3,120)
Interest income							1,133
Equity in net losses of joint ventures							(238)
Gain (loss) on sale of investments and property and equipment							(3)
Other income (charges) - net							554
Income tax expense							(13,828)
Net income							P32,279
Attributable to:							
Equity holders of the Parent Company							P18,278
Non-controlling interests							14,001
Net income							P32,279
Other Information							
Segments assets		P103,008	P103,435	P13,699	P220,142	(P65)	P220,077
Investments		20	39	58	117	-	117
Right-of-use assets - net		2,634	1,955	196	4,785	-	4,785
Goodwill, trademarks and brand names							38,423
Other assets							39
Deferred tax assets							2,526
Consolidated total assets							P265,967
Segment liabilities		P31,551	P14,502	P4,785	P50,838	(P65)	P50,773
Loans payable							15,851
Long-term debt							44,653
Lease liabilities							4,531
Income and other taxes payable							6,496
Dividends and interest payable							456
Deferred tax liabilities							26
Consolidated total liabilities							P122,786
Capital expenditures	*13*	P11,208	P6,769	P387	P18,364	P -	P18,364
Depreciation and amortization of property, plant and equipment	*13, 25*	1,521	1,451	610	3,582	-	3,582
Non-cash items and others (excluding depreciation and amortization of property, plant and equipment)		3,890	3,892	116	7,898	-	7,898
Loss on impairment of property, plant and equipment and noncurrent assets		-	903	112	1,015	-	1,015

** Includes operating expenses of the Parent Company*

Disaggregation of Revenue:

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments:

	Food			Beer and NAB			Spirits			Consolidated		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Timing of Revenue Recognition												
Sales recognized at point in time	**P150,947**	P135,138	P139,422	**P116,280**	P107,923	P142,267	**P42,529**	P36,198	P29,024	**P309,756**	P279,259	P310,713
Sales recognized over time	**22**	31	33	**-**	-	-	**-**	-	39	**22**	31	72
Total External Sales	**P150,969**	P135,169	P139,455	**P116,280**	P107,923	P142,267	**P42,529**	P36,198	P29,063	**P309,778**	P279,290	P310,785

7. Cash and Cash Equivalents

This account consists of:

	Note	**2021**	2020
Cash in banks and on hand		**P11,897**	P9,670
Short-term investments		**29,684**	27,343
	4, 33, 34	**P41,581**	P37,013

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 27).

8. Trade and Other Receivables

This account consists of:

	Note	**2021**	2020
Trade		**P20,407**	P18,344
Non-trade		**2,247**	1,811
Amounts owed by related parties	*30*	**1,588**	1,431
		24,242	21,586
Less allowance for impairment losses	*4*	**1,385**	1,554
	4, 33, 34	**P22,857**	P20,032

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade receivables include advances to contract growers and breeders, receivables from truckers and toll partners, insurance and freight claims, receivables from employees, interest and others.

The movements in the allowance for impairment losses are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P1,554**	P987
Charges for the year - net		**91**	716
Amounts written off	*4*	**(277)**	(132)
Translation adjustments		**17**	(17)
Balance at end of year		**P1,385**	P1,554

9. Inventories

This account consists of:

		2021	2020
At net realizable value:			
Finished goods and goods in process		**P13,606**	P10,789
Materials and supplies		**30,823**	24,604
	4	**P44,429**	P35,393

The cost of inventories as at December 31 are as follows:

	2021	2020
Finished goods and goods in process	**P13,829**	P10,996
Materials and supplies	**31,183**	25,007
	P45,012	P36,003

The write-down of inventories amounted to P966, P918 and P727 in 2021, 2020 and 2019, respectively (Notes 4, 23 and 24). The Group has written off inventories amounting to P255, P249 and P817 in 2021, 2020 and 2019, respectively.

The allowance for write-down of inventories to net realizable value amounted to P583 and P610 as at December 31, 2021 and 2020, respectively.

The cost of inventories used recognized under "Cost of sales" account in consolidated statements of income amounted to P124,729, P115,597 and P123,047 in 2021, 2020 and 2019, respectively (Note 23).

The fair value of agricultural produce less costs to sell, which formed part of the cost of the finished goods inventory, amounted to P112 and P200 as at December 31, 2021 and 2020, respectively, with corresponding costs at point of harvest amounting to P86 and P130, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P26, P70 and P26 in 2021, 2020 and 2019, respectively (Note 22).

The fair values of marketable hogs and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

10. Biological Assets

This account consists of:

	Note	2021	2020
Current:			
Growing stocks		**P2,509**	P2,591
Goods in process		**597**	810
		3,106	3,401
Noncurrent:			
Breeding stocks - net		**2,244**	2,352
	4	**P5,350**	P5,753

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P2,896, P3,565 and P3,152 in 2021, 2020 and 2019 respectively (Note 25).

The movements in biological assets are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**P6,338**	P8,511
Increase (decrease) due to:			
Production		**47,234**	47,131
Purchases		**306**	349
Mortality		**(405)**	(1,396)
Harvest		**(44,551)**	(43,622)
Retirement		**(3,021)**	(4,635)
Balance at end of year		**5,901**	6,338
Accumulated Amortization			
Balance at beginning of year		**585**	1,552
Amortization	*25*	**2,896**	3,565
Retirement		**(2,930)**	(4,532)
Balance at end of year		**551**	585
Carrying Amount		**P5,350**	P5,753

The Group harvested approximately 599.9 million and 575.7 million kilograms of grown broilers in 2021 and 2020, respectively, and 0.29 million and 0.45 million heads of marketable hogs and cattle in 2021 and 2020, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P63,349 and P64,875 in 2021 and 2020, respectively.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	**2021**	2020
Prepaid income tax	*36*	**P2,701**	P3,474
Input tax		**2,325**	2,140
Prepaid expenses	*30*	**774**	667
Derivative assets	*33, 34*	**23**	172
Advances to contractors and suppliers		**185**	131
Others	*30*	**349**	617
		P6,357	P7,201

Prepaid expenses include prepaid rent, insurance, promotional expenses and various operating expenses.

“Others” include advance payments and deposits.

“Prepaid expenses” and “Others” accounts include amounts owed by related parties amounting to P31 and P22 as at December 31, 2021 and 2020, respectively (Note 30). The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 34.

12. Investments

This account consists of:

	Note	**2021**	2020
Investments in joint ventures		**P -**	P4
Financial assets at FVOCI	*33, 34*	**5,157**	4,855
	4	**P5,157**	P4,859

Investments in Joint Ventures

The movements in investments in joint ventures are as follows:

	2021	2020
Balance at beginning of year	**P4**	P58
Share in other comprehensive loss	**(4)**	(54)
	P -	P4

a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which GSMI owns 44.9% effective ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

The details of the investment in TSML which is accounted for using the equity method are as follows:

	2021	2020
Current assets	**P772**	P942
Noncurrent assets	**828**	989
Current liabilities	**(1,281)**	(1,378)
Net assets	**319**	553
Percentage of ownership	**44.9%**	44.9%
Amount of investment in joint venture	**143**	P248
Carrying amount of investment in joint venture - net	**P -**	P4

	2021	2020
Sales	**P875**	P1,375
Cost of sales	**(976)**	(1,337)
Operating expenses	**(80)**	(102)
Other charge	**(31)**	(21)
Net loss	**(212)**	(85)
Percentage of ownership	**44.9%**	44.9%
Share in net loss	**(95)**	(38)
Share in other comprehensive income (loss)	**(4)**	(54)
Total comprehensive loss	**(P99)**	(P92)

The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 3% and 2% in 2021 and 2020, respectively. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections are 11% and 9% in 2021 and 2020, respectively. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The Group assessed the recoverable amount of TSML and the result of such assessment was that the carrying amount is higher than its recoverable amount resulting in impairment loss amounting to P167 in 2020 and 2019, respectively and is included as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

The Group discontinued recognizing its share in the net losses of TSML since the cumulative losses already exceeded the cost of investment. If TSML reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net losses amounted to P95 and P38 as at December 31, 2021 and 2020, respectively.

The recoverable amount of investment in TSML has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 3).

b. TGT

GSMI, through GSMIHL, also has an existing 44.9% effective ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

The details of the investment in TGT which is accounted for using the equity method are as follows:

	2021	2020
Current assets	**P23**	P28
Noncurrent assets	**1**	1
Current liabilities	**(938)**	(974)
Noncurrent liabilities	**-**	-
Net liabilities	**(914)**	(945)
Percentage of ownership	**44.9%**	44.9%
Amount of investment in joint venture	**(P410)**	(P424)
Carrying amount of investment in joint venture - net	**P -**	P -

	2021	2020
Sales	**P40**	P50
Cost of sales	**(33)**	(42)
Operating expenses	**(23)**	(20)
Other income	**1**	-
Net loss	**(15)**	(12)
Percentage of ownership	**44.9%**	44.9%
Share in net loss	**(7)**	(5)
Share in other comprehensive loss	**(60)**	(20)
Total comprehensive loss	**(P67)**	(P25)

GSMI discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceeded the cost of investment. If TGT reports profits subsequently, GSMI resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net liabilities amounted to P410 and P424 as at December 31, 2021 and 2020, respectively.

Financial Assets at FVOCI

The Group's financial assets at FVOCI pertain to investments in shares of stock and other equity securities.

The Group's financial assets at FVOCI are as follows:

	Note	2021	2020
Redeemable perpetual securities		**P5,100**	P4,803
Other Equity Securities		**57**	52
	33, 34	**P5,157**	P4,855

On August 4, 2020, SMB, through San Miguel Brewing International Ltd. (SMBIL), signed a subscription agreement with SMC for the subscription of the latter's redeemable perpetual securities (RPS) with aggregate face value amount of $100 or P4,850. The RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. SMBIL will have the right to receive distribution at 2.5% per annum, payable quarterly in arrears every November 5, February 5, May 5 and August 5 of each year commencing on November 5, 2020. SMC has a right to defer this distribution under certain conditions. As at December 31, 2021 and 2020, SMBIL received dividend income amounting to P123 and P30, respectively and are presented as part of "Other income - net" in the consolidated statements of income.

The methods and assumptions used to estimate the fair value of financial assets at FVOCI are discussed in Note 34.

13. Property, Plant and Equipment

This account consists of:

	Note	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2020		P15,807	P27,970	P75,114	P4,353	P877	P22,802	P146,923
Additions		47	37	135	77	15	13,521	13,832
Disposals		(5)	(37)	(570)	(595)	(3)	-	(1,210)
Reclassifications		589	4,897	9,555	222	216	(15,780)	(301)
Currency translation adjustments		(67)	(137)	(281)	(28)	-	(1)	(514)
December 31, 2020		16,371	32,730	83,953	4,029	1,105	20,542	158,730
Additions		79	40	101	176	4	10,474	10,874
Disposals		(1)	(239)	(501)	(107)	(65)	(1)	(914)
Reclassifications		(102)	1,642	3,103	50	529	(4,851)	371
Currency translation adjustments		(47)	507	1,276	31	3	6	1,776
December 31, 2021		**16,300**	**34,680**	**87,932**	**4,179**	**1,576**	**26,170**	**170,837**
Accumulated Depreciation and Amortization								
January 1, 2020		1,254	9,673	44,039	3,179	332	-	58,477
Depreciation and amortization	*25*	172	841	2,907	365	70	-	4,355
Disposals		(5)	(36)	(532)	(589)	(3)	-	(1,165)
Reclassifications		(13)	(68)	(9)	3	(29)	-	(116)
Currency translation adjustments		(6)	(84)	(214)	(23)	-	-	(327)
December 31, 2020		1,402	10,326	46,191	2,935	370	-	61,224
Depreciation and amortization	*25*	225	1,008	3,372	372	84	-	5,061
Disposals		(1)	(205)	(471)	(90)	(60)	-	(827)
Reclassifications		(76)	(126)	(97)	(82)	28	-	(353)
Currency translation adjustments		-	174	518	26	(2)	-	716
December 31, 2021		**1,550**	**11,177**	**49,513**	**3,161**	**420**	**-**	**65,821**

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses							
January 1, 2020	P -	P3,100	P9,720	P88	P1	P -	P12,909
Impairment	-	-	-	-	-	-	-
Disposals	-	-	(11)	(3)	-	-	(14)
Reclassifications	-	-	(1)	(4)	-	-	(5)
Currency translation adjustments	-	27	(33)	(2)	-	-	(8)
December 31, 2020	-	3,127	9,675	79	1	-	12,882
Impairment	38	1	29	-	-	-	68
Disposals	-	-	(19)	(3)	-	-	(22)
Reclassifications	-	-	9	(9)	-	-	-
Currency translation adjustments	-	264	733	6	-	-	1,003
December 31, 2021	**38**	**3,392**	**10,427**	**73**	**1**	**-**	**13,931**
Carrying Amount							
December 31, 2020	P14,969	P19,277	P28,087	P1,015	P734	P20,542	P84,624
December 31, 2021	**P14,712**	**P20,111**	**P27,992**	**P945**	**P1,155**	**P26,170**	**P91,085**

Depreciation and amortization recognized in the consolidated statements of income amounted to P5,061, P4,355 and P3,582 in 2021, 2020 and 2019, respectively (Note 25).

The Group has interest amounting to P545, P488 and P586 which were capitalized in 2021, 2020 and 2019, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.95% to 7.03%, 3.61% to 9.13% and 6.09% to 7.50% in 2021, 2020 and 2019, respectively. The unamortized capitalized borrowing costs amounted to P1,522, P1,342 and P866 as at December 31, 2021, 2020 and 2019, respectively.

The accumulated impairment losses of unutilized machinery and equipment of GSMI amounted to P308 as at December 31, 2021 and 2020.

In 2020, property, plant and equipment of a hog farm was reclassified to “Other noncurrent assets - net” account due to the impact of the African Swine Fever (ASF) that resulted in extended downtime of the facility.

Certain fully depreciated property, plant and equipment with aggregate cost of P29,067 and P27,509 as at December 31, 2021 and 2020, respectively, are still being used in the Group's operations.

14. Right-of-Use Asset

The movements in this account are as follows:

	Note	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Total
Cost						
January 1, 2020		P3,172	P2,495	P4	P450	P6,121
Additions		720	78	2	13	813
Disposals/reclassifications		72	(241)	-	(33)	(202)
Currency translation adjustments		(13)	-	-	-	(13)
December 31, 2020		3,951	2,332	6	430	6,719
Additions		17	875	29	24	945
Disposals/reclassifications		(58)	(687)	(3)	(13)	(761)
Currency translation adjustments		89	3	1	-	93
December 31, 2021		**3,999**	**2,523**	**33**	**441**	**6,996**
Accumulated Depreciation and Amortization						
January 1, 2020		626	455	3	172	1,256
Depreciation and amortization	*25*	164	481	1	172	818
Reclassifications		5	(233)	-	(27)	(255)
Currency translation adjustments		(2)	-	-	1	(1)
December 31, 2020		793	703	4	318	1,818
Depreciation and amortization	*25*	163	413	3	104	683
Reclassifications		(27)	(331)	(3)	(13)	(374)
Currency translation adjustments		40	4	2	(1)	45
December 31, 2021		**969**	**789**	**6**	**408**	**2,172**
Accumulated Impairment Losses						
January 1, 2020		80	-	-	-	P80
Currency translation adjustments		(3)	-	-	-	(3)
December 31, 2020 and 2021		**77**	**-**	**-**	**-**	**77**
Carrying Amount						
December 31, 2020		P3,081	P1,629	P2	P112	P4,824
December 31, 2021		**P2,953**	**P1,734**	**P27**	**P33**	**P4,747**

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to fifty years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

In 2020, the Group renewed its lease for certain parcel of land and transportation equipment resulting to lease modification and remeasurement of its right-of-use assets and lease liabilities recognized in the consolidated statement of financial position.

The Group recognized interest expense related to these leases amounting to P354, P367 and P332 in 2021, 2020 and 2019, respectively (Note 27). The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases and leases of low-value assets amounted to P502, P1,258 and P1,036 in 2021, 2020 and 2019, respectively.

The Group had total cash outflows for leases of P4,834, P4,782 and P4,531 in 2021, 2020, and 2019 respectively (Note 32).

15. Investment Property

The movements in this account are as follows:

	Note	Land and Land Improvements	Land Use Rights	Buildings and Improvements	Total
Cost					
January 1, 2020		P2,166	P661	P740	P3,567
Additions		68	-	2	70
Reclassifications		(82)	-	82	-
Currency translation adjustments		-	(31)	(34)	(65)
December 31, 2020		2,152	630	790	3,572
Additions		1	-	-	1
Reclassification		428	-	-	428
Currency translation adjustments		-	35	39	74
December 31, 2021		**2,581**	**665**	**829**	**4,075**
Accumulated Depreciation and Amortization					
January 1, 2020		-	233	371	604
Depreciation and amortization	*25*	-	15	20	35
Reclassifications		-	-	2	2
Currency translation adjustments		-	(10)	(18)	(28)
December 31, 2020		-	238	375	613
Depreciation and amortization	*25*	-	15	20	35
Currency translation adjustments		-	14	20	34
December 31, 2021		**-**	**267**	**415**	**682**
Accumulated Impairment Losses					
December 31, 2020 and 2021		**8**	**-**	**-**	**8**
Carrying Amount					
December 31, 2020		P2,144	P392	P415	P2,951
December 31, 2021		**P2,573**	**P398**	**P414**	**P3,385**

No impairment loss was recognized in 2021, 2020 and 2019.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2021, 2020 and 2019.

The fair value of investment property amounting to P12,389 and P9,609 as at December 31, 2021 and 2020, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined either by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers or the credit management group of the Parent Company provide the fair value of the Group's investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs
The valuation of investment property applied the following approaches:

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

The valuation using the Income Approach considers the capitalization of net rent income receivable from existing tenancies and the reversionary value of the property after tenancies expire by reference to market sales transactions. The significant unobservable input in the fair value measurement is the discount rate, which ranged from 1.0% to 5.0% in 2021 and 2020.

16. Goodwill and Other Intangible Assets

This account consists of:

	2021	2020
Goodwill	**P996**	P996
Other intangible assets	**39,160**	39,538
	P40,156	P40,534

Other intangible consists of:

	2021	2020
Trademarks and brand names	**P36,953**	P37,284
Licenses	**2,011**	2,106
Computer software and licenses	**131**	83
Formulas and recipes	**58**	58
Franchise	**7**	7
	P39,160	P39,538

The movements in other intangible assets with indefinite useful lives are as follows:

	Trademarks and Brand Names	Licenses	Formulas and Recipes and Franchise	Total
Cost				
January 1, 2020	P37,600	P2,211	P65	P39,876
Cumulative translation adjustments	(95)	(105)	-	(200)
December 31, 2020	37,505	2,106	65	39,676
Disposals	(45)			(45)
Cumulative translation adjustments	113	(95)	-	18
December 31, 2021	**37,573**	**2,011**	**65**	**39,649**
Accumulated Impairment Losses				
January 1, 2020	231	-	-	231
Cumulative translation adjustments	(10)	-	-	(10)
December 31, 2020	221	-	-	221
Impairment	386			386
Cumulative translation adjustments	13	-	-	13
December 31, 2021	**620**	**-**	**-**	**620**
Carrying Amount				
December 31, 2020	P37,284	P2,106	P65	P39,455
December 31, 2021	**P36,953**	**P2,011**	**P65**	**P39,029**

The movements in other intangible assets with finite useful lives are as follows:

	Note	Computer Software and Licenses
Cost		
January 1, 2020		P1,265
Additions		12
Disposals/reclassifications		10
Cumulative translation adjustments		(6)
December 31, 2020		1,281
Additions		48
Disposals/reclassifications		29
Cumulative translation adjustments		6
December 31, 2021		**1,364**
Accumulated Amortization		
January 1, 2020		1,150
Amortization	*25*	50
Disposals/reclassifications		(3)
Cumulative translation adjustments		(5)
December 31, 2020		1,192
Amortization	*25*	54
Disposals/reclassifications		(25)
Cumulative translation adjustments		7
December 31, 2021		**1,228**
Accumulated Impairment Losses		
December 31, 2020		**6**
Disposals/reclassifications		**(1)**
December 31, 2021		**5**
Carrying Amount		
December 31, 2020		P83
December 31, 2021		**P131**

Goodwill, licenses, trademarks and brand names, formulas and recipes, and franchise with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2021		2020	
	Goodwill	**Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise**	Goodwill	Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise
Food	**P177**	**P3,412**	P177	P3,837
Spirits	**819**	**-**	819	-
Beer and NAB	**-**	**35,617**	-	35,618
Total	**P996**	**P39,029**	P996	P39,455

Goodwill
The recoverable amount of goodwill has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from 3% to 5% in 2021 and 2% to 5% in 2020, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 9% to 11% in 2021 and and 9% to 13% in 2020. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

No impairment loss was recognized for goodwill in 2021, 2020 and 2019.

Trademarks and Brand Names
The recoverable amount of trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 5% and 2% to 3% in 2021 and 2020, respectively, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections range from 5.9% to 12% and 6.0% to 15.1% in 2021 and 2020, respectively. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Management's calculations are updated to reflect the most recent developments as at reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. Management also considered the expected improvement of the economy in 2021, the lifting of liquor bans, consumer spending and expected increase in revenues through its promotional strategies.

Impairment loss on La Pacita Trademark amounting to P386 was recognized in 2021 with a recoverable amount of P60 while no impairment loss was recognized for trademarks and brand names in 2020 and 2019.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts is based would not cause their carrying amounts to exceed their recoverable amounts.

The calculations of value in use (terminal value) are most sensitive to the following assumptions:

Gross Margins. Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

Discount Rate. The risk-adjusted weighted average cost of capital is used as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Raw Material Price Inflation. Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

17. Other Noncurrent Assets

This account consists of:

	Note	**2021**	2020
Deferred containers - net	*4*	**P25,817**	P25,358
Noncurrent receivables and deposits - net	*4, 30, 33, 34*	**198**	226
Others	*29, 30*	**4,368**	4,657
		P30,383	P30,241

The movements in the deferred containers are as follows:

	Note	**2021**	2020
Gross Carrying Amount			
Balance at beginning of year		**P41,510**	P40,366
Additions		**4,154**	2,648
Disposals/reclassifications		**(1,532)**	(1,391)
Currency translation adjustments		**89**	(114)
Balance at end of year		**44,221**	41,509
Accumulated Amortization			
Balance at beginning of year		**15,417**	13,372
Amortization	*25*	**3,006**	2,703
Disposals/reclassifications		**(787)**	(631)
Currency translation adjustments		**31**	(27)
Balance at end of year		**17,667**	15,417

Forward

	2021	2020
Accumulated Impairment		
Balance at beginning of year	**P734**	P681
Impairment	**738**	682
Disposals/reclassification	**(737)**	(626)
Currency translation adjustments	**2**	(3)
	737	734
	P25,817	P25,358

Allowance for impairment losses on noncurrent receivables and deposits amounted to P42 as at December 31, 2020 (Note 4).

"Others" include pallets, kegs and CO2 cylinders, idle assets, defined benefit retirement asset and other noncurrent assets.

Idle assets, net of depreciation and impairment losses, amounted to P862 and P769 as at December 31, 2021 and 2020, respectively. Accumulated impairment losses on idle assets amounted to P462 and P435 as at December 31, 2021 and 2020, respectively.

"Noncurrent receivables and deposits" and "Others" accounts include amounts owed by related parties amounting to P170 and P111 as at December 31, 2021 and 2020, respectively (Note 30).

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits are discussed in Note 34.

18. Loans Payable

This account consists of:

	Note	2021	2020
Peso-denominated		**P5,191**	P10,684
Foreign currency-denominated		**-**	96
	33, 34	**P5,191**	P10,780

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates for peso-denominated loans ranged from 2.50% to 2.70% and 2.50% to 6.00% in 2021 and 2020, respectively. Interest rates for foreign currency-denominated loans ranged was 3.87% in 2020 (Note 27).

Changes in liabilities arising from financing activities are as follows:

	2021	2020
Balance as at January 1	**P10,780**	P15,851
Changes from Financing Activities		
Proceeds from borrowings	**87,280**	103,345
Payments of borrowings	**(92,873)**	(108,405)
Total Changes from Financing Activities	**5,187**	10,791
Effect of Changes in Foreign Exchange Rates	**4**	(11)
Balance as at December 31	**P5,191**	P10,780

19. Trade Payables and Other Current Liabilities

This account consists of:

	Note	**2021**	2020
Trade		**P11,955**	P13,069
Non-trade		**27,797**	24,660
Amounts owed to related parties	*30*	**12,319**	8,811
Derivative liabilities	*33, 34*	**204**	24
Containers deposit		**7,019**	6,230
Others		**1,523**	1,644
	33, 34	**P60,817**	P54,438

Trade payables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade payables include contract growers/breeders' fees and tolling fees.

"Others" include accruals for payroll, interest, repairs and maintenance, freight, trucking and handling and other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 34.

20. Long-term Debt

This account consists of:

	Note	2021	2020
Bonds:			
Series F bonds, fixed interest rate of 6.60% maturing in 2022 *(a)*		**P6,998**	P6,988
Series G bonds, fixed interest rate of 5.50% maturing in 2021 *(a)*		**-**	12,456
Series H bonds, fixed interest rate of 6.00% maturing in 2024 *(a)*		**2,531**	2,528
Series A bonds, fixed interest rates of 5.05% maturing 2025 *(b)*		**7,931**	7,911
Series B bonds, fixed interest rates of 5.25% maturing 2027 *(b)*		**6,929**	6,918
Term note:			
Fixed interest rate of 4.63% with maturities up to 2024 (*c*)		**9,953**	9,939
Fixed interest rate of 3.95% with maturities up to 2026 (*c*)		**1,986**	-
Fixed interest rate of 3.95% with maturities up to 2026 (*c*)		**1,490**	-
Fixed interest rate of 3.875% with maturities up to 2026 (*c*)		**2,468**	-
Fixed interest rate of 4.15% with maturities up to 2028 (*c*)		**1,987**	-
Fixed interest rate of 3.8% with maturities up to 2026 (*c*)		**3,975**	-
Fixed interest rate of 4.2105% with maturities up to 2023 (*d*)		**331**	496
Fixed interest rate of 3.5483% maturing in 2029 (*e*)		**9,938**	9,932
Floating interest rate based on 3-month BVAL plus margin or 28-day BSP Term Deposit Auction Facility (BSP TDF) plus margin, whichever is higher, maturing in 2029 (*e*)		**7,949**	7,944
Fixed interest rate of 3.2840% with maturities up to 2026 (*f*)		**1,989**	1,987
Fixed interest rate of 3.846% (*g*)		**6,950**	-
Fixed interest rate of 8.348% with maturities up to 2023 (*h*)		**-**	-
	33, 34	**73,405**	67,099
Less current maturities		**7,180**	12,621
		P66,225	P54,478

Bonds

(a) The amount represents unsecured long-term debt incurred by SMB: (a) to support the redemption of the Series A bonds which matured on April 3, 2012; (b) to support the partial prepayment of the US$300 unsecured loan facility agreement (which was paid in full in 2013); and (c) to support the redemption of the Series B bonds which matured on April 4, 2014.

SMB's unsecured long-term notes comprise the Philippine peso-denominated fixed rate bonds in the aggregate principal amount of: (a) P7,000 pertaining to the aggregate principal amount of the Series F bonds which remain outstanding of the P20,000 bonds (P20,000 Bonds) that were issued on April 2, 2012 (P20,000 Bonds Issue Date); and (b) P15,000 (P15,000 Bonds) which were issued on April 2, 2014 (P15,000 Bonds Issue Date).

The P20,000 Bonds which originally consisted of the Series D bonds (with a term of five years and one day from the P20,000 Bonds Issue Date), the Series E bonds (with a term of seven years from the P20,000 Bonds Issue Date), and the Series F bonds (with a term of ten years from the P20,000 Bonds Issue Date) were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 16, 2012. The Series E bonds and Series F bonds were listed on the PDEx for trading on April 2, 2012, while the Series D bonds were listed on the PDEx for trading on October 3, 2012. The Series D bonds with an aggregate principal amount of P3,000 matured on April 3, 2017 and was accordingly redeemed by SMB on the said date. The Series E bonds with an aggregate principal amount of P10,000 matured on April 2, 2019 and were accordingly redeemed by SMB on the said date. Only the Series F bonds remain outstanding of the P20,000 Bonds. SMB used its available cash to finance the maturity of the Series D bonds and Series E bonds. Unamortized debt issue costs related to the Series E and F bonds amounted to P2 and P12 for Series F bonds as at December 31, 2021 and 2020, respectively.

The P15,000 Bonds consist of the Series G bonds (with a term of seven years from the P15,000 Bonds Issue Date) and Series H bonds (with a term of ten years from the P15,000 Bonds Issue Date). The P15,000 Bonds were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 17, 2014 and were listed on the PDEx for trading on April 2, 2014. The Series G bonds with an aggregate principal amount of P12,462 matured on April 5, 2021 (April 2 being a non-business day) and were accordingly redeemed by SMB on the said date. Unamortized debt issue costs related to the P15,000 Bonds amounted to P7 and P16 as at December 31, 2021 and 2020, respectively.

Interest on the P20,000 Bonds are paid semi-annually every April 2 and October 2 of each year (each, a P20,000 Bonds Interest Payment Date), save for the first interest payment of the Series D bonds which was made on October 3, 2012. SMB may (but shall not be obligated to) redeem all (and not a part only) of the outstanding P20,000 Bonds on the day after the 10th P20,000 Bonds Interest Payment Date for the Series E bonds, and the 14th P20,000 Bonds Interest Payment Date for the Series F bonds. Interest on the P15,000 Bonds are paid every April 2 and October 2 of each year (each, a P15,000 Bonds Interest Payment Date). SMB may also (but shall likewise not be obligated to) redeem all (and not a part only) of the outstanding P15,000 Bonds on the 11th P15,000 Bonds Interest Payment Date for the Series G bonds, and on the 14th, 16th or 18th P15,000 Bonds Interest Payment Dates for the Series H bonds.

On December 5 and 16, 2014, the BOD of SMB (through the Executive Committee in the December 16, 2014 meeting) approved the conduct of a solicitation process for the consents of the majority of the holders of record as of December 15, 2014 of SMB's Series C bonds, Series D bonds, Series E bonds and Series F bonds (Series CDEF Bonds Record Bondholders) for the amendment of the negative covenants in the trust agreements covering the Series C bonds, Series D bonds, Series E bonds and Series F bonds to align the same with the negative covenants of the trust agreement covering the Series G bonds and Series H bonds (Series GH Bonds Trust Agreement), and allow SMB to engage, or amend its Articles of Incorporation to engage, in the business of manufacturing, selling, distributing, and/or dealing, in any and all kinds of beverage products (Negative Covenant Amendment). SMB obtained the consents of Series CDEF Record Bondholders representing 90% of the outstanding aggregate principal amount of the Series C bonds and 81.05% of the combined outstanding aggregate principal amount of the Series D bonds, Series E bonds and Series F bonds, for the Negative Covenant Amendment. The supplemental agreements amending the trust agreements covering the Series C bonds, Series D bonds, Series E bonds and Series F bonds to reflect the Negative Covenant Amendment were executed by SMB and the respective trustees of the said bonds on February 2, 2015.

In November 2017, SMC announced its intention to undertake the SMFB Consolidation. The SMFB Consolidation was expected to result in synergies in the food and beverage business units of the San Miguel group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel group through SMFB.

To allow SMB to remain under the effective control of SMC through SMFB in the implementation of the SMFB Consolidation (and thus ensure that the trust agreements covering SMB's outstanding bonds remain consistent with their original intended purpose) as discussed in Note 1, the BOD of SMB, in its meeting on November 3, 2017, approved the conduct of a solicitation process for the consents of the majority of the holders of record as of November 8, 2017 of SMB's Series C bonds, Series E bonds and Series F bonds (Series CEF Bonds Record Bondholders) to align the change in control default provision under the trust agreements covering the Series C bonds, Series E bonds and Series F bonds with the change in control default provision under the Series GH Bonds Trust Agreement (Change in Control Amendment). Under the Series GH Bonds Trust Agreement, a change in control of SMB occurs when SMC ceases to have the ability to consolidate SMB as a subsidiary in its consolidated financial statements in accordance with the accounting principles and standards applicable to SMC then in effect.

SMB obtained the consents of the Series CEF Record Bondholders representing 88.28% of the outstanding aggregate principal amount of the Series C bonds, and 78.1803% of the combined outstanding aggregate principal amount of the Series E bonds and Series F bonds, for the Change in Control Amendment. The supplemental agreements amending the trust agreements covering the Series C bonds, Series E bonds and Series F bonds to reflect the Change in Control Amendment were executed by SMB and the respective trustees of the said bonds on December 19, 2017.

(b) On February 21, 2020, the SEC issued to SMFB the Permit to Sell P15,000 fixed rate bonds, consisting of five-year Series A Bonds due 2025 and seven-year Series B Bonds due on 2027.

The bonds were issued and listed in the PDEx on March 10, 2020.

The proceeds were used to redeem the outstanding FBP2 Shares and payment of transaction-related fees, costs and expenses.

The Series A Bonds and Series B Bonds have fixed interest rate equivalent to 5.050% per annum and 5.250% per annum, respectively and are carried at amortized cost. Unamortized debt issue costs as of December 31, 2021 and 2020 amounted to P70 and P71, and P89 and P82 for Series A and Series B, respectively.

Term Note

(c) On December 19, 2019, SMB entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P10,000 to be used for general corporate requirements. The loan is carried at amortized cost and bears an annual interest rate at Philippine peso fixed-rate of 4.63%. The loan is payable for five years which will mature in December 2024.

On March 30, 2021, SMB entered into unsecured, long-term, interest-bearing loans from several local banks amounting to P12,000 to be used to refinance the maturity of the Series G bonds and/or general corporate purposes. Proceeds of the loan was used to refinance the Series G Bonds which matured on April 2, 2021. The loans are carried at amortized cost and bears annual interest rates at Philippine peso fixed-rate ranging from 3.80% to 4.15%. The loans are payable between one to seven years in accordance with the terms of the Agreement.

As of December 31, 2021 and 2020, the outstanding balance of the term loan amounted to P21,984 and P10,000. As of December 31, 2021 and 2020, the unamortized debt issue costs amounted to P125 and P61, respectively.

(d) The amount represents drawdown by GSMI on December 28, 2020 from its three-year credit facility with a local bank amounting to P500. The loan is carried at amortized cost and payable semi-annually commencing in June 2021. The proceeds were used for general corporate requirements.

Unamortized debt issue costs amounted to P2 and P4 as at December 31, 2021 and 2020, respectively.

(e) On December 3, 2019, SMFI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P18,000 for the purpose of refinancing its existing short-term loan obligations, funding capital expansion projects and for other general corporate requirements. On December 12, 2019, P10,000 was initially drawn down from the credit facility and the remaining balance of P8,000 were availed in various dates during 2020. The loan is payable for ten years, in quarterly installments which will commence in March 2023. The loan is subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to fixed rate within two years.

On December 14, 2020, the SMFI exercised its one-time option to convert to fixed interest rate for its P10,000 loan.

Unamortized debt issue costs amounted to P112 and P124 as at December 31, 2021 and 2020, respectively.

(f) On December 11, 2019, SMMI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P2,000 for the purpose of refinancing its existing short-term loans, fund its capital expenditure requirements for the upgrade of expansion of its production facilities and/or finance other general corporate requirements. On December 19, 2019, the loan was drawn down from the credit facility. The loan is subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to fixed rate within two years. The loan is payable for seven years, in quarterly installments which will commence in March 2023.

    On December 19, 2020, the SMMI exercised its one-time option to convert to fixed interest rate for its P2,000 loan.

    Unamortized debt issue costs amounted to P11 and P13 as at December 31, 2021 and 2020, respectively.

(g) On September 24, 2021, PHC entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P7,000 for general corporate purposes, including but not limited to, the refinancing of existing indebtedness for borrowed money and/or capital expenditure. The loan shall be for a term of five years from the borrowing date and shall be payable in lump sum on the maturity date. Interest on the unpaid principal of the loan is payable on each interest payment date for the relevant interest period then ending.

    Unamortized debt issue costs amount to P50 as of December 31, 2021.

(h) The amount represents drawdown by GSMI on September 24, 2018 from its five-year credit facility with a local bank dated August 13, 2018 amounting to P1. The loan is carried at amortized cost and payable in equal quarterly installments commencing in September 2019. The proceeds were used to refinance existing short-term obligation.

    GSMI settled the loan on September 24, 2020.

The Group is in compliance with the covenants of the debt agreements as at December 31, 2021 and 2020.

<u>SMB</u>
SMB is required to comply with two financial covenants: minimum interest coverage ratio of 4.75 for bonds, 2.0 for bank loans and maximum debt to equity ratio of 3.5 for both bonds and bank loans.

<u>GSMI</u>
GSMI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as all obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. GSMI complied with the above requirements in 2021 with a debt-to-equity ratio of 0.029 as at December 31, 2021, and EBITDA to interest coverage ratio of 320.35 as at December 31, 2021.

SMFB

SMFB has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest expense ratio will not fall below 2.0 times. This loan defined total debt as all interest bearing obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. SMFB complied with the above requirements in 2021 and 2020 with a debt-to-equity ratio of 0.57 and 0.63 as at December 31, 2021, and 2020, respectively, and EBITDA to interest expense ratio of 16.73 and 11.87 as at December 31, 2021 and 2020, respectively.

SMFI

SMFI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of SMFI while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. SMFI complied with the above requirements with a debt-to-equity ratio of 0.54 and 0.63 as at December 31, 2021 and 2020, respectively, and EBITDA to interest coverage ratio of 63.26 and 16.76 as at December 31, 2021 and 2020, respectively.

SMMI

SMMI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of the Company while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. SMMI complied with the above requirements with a debt-to-equity ratio of 0.92 and 0.70 as at December 31, 2021 and 2020, respectively, and EBITDA to interest coverage ratio of 14.49 and 15.52 as at December 31, 2021 and 2020, respectively.

PHC

PHC has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of the Company while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. PHC complied with the above requirements with a debt-to-equity ratio of 1.14 as at December 31, 2021 and EBITDA to interest coverage ratio of 21.79 as at December 31, 2021.

Interest expense recognized in the consolidated statements of income follows:

	Note	**2021**	2020	2019
Bonds		**P1,786**	P2,721	P1,536
Term note		**867**	51	82
	27	**P2,653**	P2,772	P1,618

The movements in debt issue costs are as follows:

	Note	2021	2020
Balance at beginning of year		**P401**	P229
Additions		**143**	259
Amortization	27	**(93)**	(87)
Balance at end of year		**P451**	P401

Changes in liabilities arising from financing activities are as follows:

	2021	2020
Balance as at January 1	**P67,099**	P44,653
Changes from Financing Activities		
Proceeds from borrowings	**18,858**	23,241
Payments of borrowings	**(12,645)**	(882)
Total Changes from Financing Activities	**6,213**	22,359
Others	**93**	87
Balance as at December 31	**P73,405**	P67,099

Repayment Schedule

The annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2022	P7,187	P7	P7,180
2023	508	122	386
2024	12,880	120	12,760
2025	342	50	292
2026	44,056	133	43,923
2027 and thereafter	8,883	19	8,864
	P73,856	**P451**	**P73,405**

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 33.

21. Equity

Capital Stock

As at December 31, 2021 and 2020, the Parent Company's common stock, at P1.00 par value per common share, consists of the following number of shares:

	Note	2021	2020	2019
Issued shares at beginning of year		**5,951,297,670**	5,951,297,670	5,951,297,670
Treasury shares		**(42,077,580)**	(42,077,580)	(42,077,580)
Issued and outstanding at end of year		**5,909,220,090**	5,909,220,090	5,909,220,090
Authorized shares		**11,600,000,000**	11,600,000,000	11,600,000,000

As at December 31, 2021 and 2020, the Parent Company's preferred stock, at P10.00 par value per preferred share, consists of the following number of shares:

	2021	2020	2019
Issued shares at beginning of year	**30,000,000**	30,000,000	30,000,000
Treasury shares	**(30,000,000)**	(30,000,000)	(15,000,000)
Issued and outstanding at end of year	**-**	-	15,000,000
Authorized shares	**40,000,000**	40,000,000	40,000,000

Common Shares

As of December 31, 2016, prior to business reorganization, the Parent Company has a total of 166,667,096 issued and outstanding common shares held by a total of 132 common stockholders.

On November 3, 2017, the Board of Directors (BOD) of SMC approved the internal restructuring to consolidate its food and beverage businesses under SMFB. The corporate reorganization is expected to result in synergies in the food and beverage business units of the San Miguel Group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel Group through SMFB.

In this connection, the following corporate actions were approved by the BOD of the Parent Company on November 3, 2017: (a) amendments to the Articles of Incorporation to change/expand the primary purpose of SMFB to include the beverage business and accordingly change its corporate name from "San Miguel Pure Foods Company Inc." to "San Miguel Food and Beverage, Inc.", reduce the par value of SMFB's common shares from P10.00 per share to P1.00 per share, and deny pre-emptive rights for issuances or dispositions of all common shares (collectively, the "First Amendments"); (b) upon approval by the SEC of the First Amendments, the increase in SMFB's authorized capital stock by P9,540 divided into 9,540,000,000 common shares with a par value of P1.00 per share, and the amendment to the Articles of Incorporation to reflect such increase (the "Increase"); (c) the acquisition of all of SMC's common shares in San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI) (collectively, the "Exchange Shares") and issuance by SMFB of 4,242,549,130 new common shares (the "New Shares") to SMC from the Increase, as consideration for the Exchange Shares; (d) the tender offer for SMB and GSMI shares held by minority shareholders, if required; and (e) the listing on the PSE of the additional shares resulting from the reduction of par value of common shares and the New Shares to be issued to SMC.

On January 18, 2018, the stockholders of SMFB, in its special stockholders' meeting, approved the foregoing corporate actions.

On March 14, 2018, the following amendments to the By-laws of SMFB were approved by the BOD of the Parent Company: (i) the change in corporate name to "San Miguel Food and Beverage, Inc." in the Title of the By-laws; (ii) the change in Official Seal of SMFB to reflect the said new corporate name in Article XI of the By-laws; and (iii) the disqualification for director in SMFB to the effect that persons engaged in any business that competes with or is antagonistic to that of SMFB are disqualified from sitting in the Board of Directors of SMFB, in Article II, Section 1 of the By-laws (collectively, the "Corporate Name Related Amendments").

On March 23, 2018, the SEC approved the First Amendments to the Articles of Incorporation of SMFB.

On April 5, 2018, SMC and SMFB signed the Deed of Exchange of Shares pursuant to which SMC will transfer to SMFB the Exchange Shares at the total transfer value of P336,349. As consideration for its acquisition of the Exchange Shares, SMFB shall issue unto SMC the New Shares which will be taken out of the Increase. As such, the issuance of the New Shares to SMC and the transfer of the Exchange Shares to SMFB were conditioned upon the approval by the SEC of the Increase.

On May 11, 2018, the stockholders of SMFB, in its regular stockholders' meeting, approved the: (i) amendments to the By-laws of SMFB to reflect the Corporate Name Related Amendments, and (ii) delegation to management of the authority previously approved by the BOD on March 14, 2018, to sign, execute and deliver all documents on behalf of SMFB, as well as to take all other actions in order for SMFB to comply with the minimum public ownership requirement of the SEC and PSE for publicly listed companies, including the offer and issuance of new common shares to the public.

On June 18, 2018, the SEC approved the Corporate Name Related Amendments to the By-laws of SMFB.

On June 29, 2018, the SEC approved the Increase by virtue of the issuance to SMFB of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation. As a result of the approval of the Increase, which involved the issuance by SMFB of the New Shares to SMC in consideration for the Exchange Shares, the consolidation of the food and beverage businesses of SMC under SMFB was completed.

With the approval of the Increase, the SEC consequently accepted and approved the transfer value of the Exchange Shares amounting to P336,349, the investment value of SMFB in SMB and GSMI.

As the issuance of the New Shares resulted in SMFB's public ownership level falling below the minimum ten percent (10%) requirement under the PSE's Amended Rule on Minimum Public Ownership ("MPO Rule"), the PSE suspended the trading of SMFB's common and preferred shares (collectively, the "FB Shares") commencing July 6, 2018 and until SMFB is able to secure a favorable ruling/opinion from the Bureau of Internal Revenue (BIR) on the appropriate taxes to be imposed on the trades of FB Shares through the PSE during the period not exceeding six months (the "MPO Exemption Period").

On July 20, 2018, SMFB received BIR Ruling No. 1092-2018 which confirmed that the share swap and the follow-on offer of common shares and all trades of FB Shares through the PSE during the MPO Exemption Period are not subject to capital gains tax of 15% under of Revenue Regulations (RR) No.16-2012 as amended by RR No. 11-2018 (TRAIN Law), and that the stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) shall be imposed on all trades through the PSE of FB Shares during the same period. The temporary exemption is effective until December 31, 2018. On July 23, 2018, the PSE lifted the trading suspension of FB Shares.

On September 19, 2018, SMFB filed with the PSE an Application for Listing of Stocks, for the listing of the New Shares issued by SMFB to SMC. The PSE issued a Notice of Approval for the listing of the New Shares on November 5, 2018 and such shares were listed with the PSE effective November 9, 2018.

On October 12, 2018, the BIR issued BIR Certification No. 010-2018, which confirmed the tax-free transfer by SMC of the Exchange Shares, in consideration for the New Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) covering this transaction. The Exchange Shares were issued and registered in the name of SMFB in the stock and transfer books of SMB and GSMI, as the case may be, on November 5, 2018.

On October 26, 2018, the SEC issued the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale relating to the offer of up to 1,020,050,000 common shares in SMFB owned by SMC in a secondary sale transaction to institutional investors inclusive of the PSE Trading Participants' share allocation at an offer price of P85.00 per share.

On November 12, 2018, the secondary offering was completed. A total of 400,940,590 SMFB common shares plus the over-allotment option of 60,141,090 SMFB common shares owned by SMC have been sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation, for a total amount of P39,192 million. With the completion of the offering, SMFB is compliant with the MPO Rule.

On July 20, 2018, SMFB received BIR Ruling No. 1092-2018 which confirmed that the share swap and the follow-on offer of common shares and all trades of FB Shares through the PSE during the MPO Exemption Period are not subject to capital gains tax of 15% under of Revenue Regulations (RR) No.16-2012 as amended by RR No. 11-2018 (TRAIN Law), and that the stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) shall be imposed on all trades through the PSE of FB Shares during the same period. The temporary exemption is effective until December 31, 2018. On July 23, 2018, the PSE lifted the trading suspension of FB Shares.

On September 19, 2018, SMFB filed with the PSE an Application for Listing of Stocks, for the listing of the New Shares issued by SMFB to SMC. The PSE issued a Notice of Approval for the listing of the New Shares on November 5, 2018 and such shares were listed with the PSE effective November 9, 2018.

On October 12, 2018, the BIR issued BIR Certification No. 010-2018, which confirmed the tax-free transfer by SMC of the Exchange Shares, in consideration for the New Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) covering this transaction. The Exchange Shares were issued and registered in the name of SMFB in the stock and transfer books of SMB and GSMI, as the case may be, on November 5, 2018.

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On November 12, 2018, the secondary offering was completed. A total of 400,940,590 SMFB common shares plus the over-allotment option of 60,141,090 SMFB common shares owned by SMC have been sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation, for a total amount of P39,192 million. With the completion of the offering, SMFB is compliant with the MPO Rule.

As at December 31, 2021 and 2020, the Parent Company has a total of 181 and 173 common stockholders, respectively.

Preferred Shares issued and listed with the PSE on March 3, 2011

A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered 15,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares at an offer price of P1,000.00 per share during the period February 14 to 25, 2011. The dividend rate was set at 8% per annum with dividend payment dates on March 3, June 3, September 3 and December 3 of each year calculated on a 30/360-day basis, as and if declared by the BOD. The preferred shares are redeemable in whole or in part, in cash, at the sole option of the Parent Company, at the end of the 5th year from issuance date or on any dividend payment date thereafter, at the price equal to the issue price plus any accumulated and unpaid cash dividends. Optional redemption of the preferred shares prior to 5th year from issuance date was provided under certain conditions (i.e., accounting, tax or change of control events), as well as on the 3rd anniversary from issuance date or on any dividend payment date thereafter, as and if declared by the BOD. Unless the preferred shares are redeemed by the Parent Company on its 5th year anniversary, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 8% or the ten-year PDST-F rate prevailing on the optional redemption date plus 3.33% per annum.

On February 3, 2015, the Parent Company's BOD approved the redemption on March 3, 2015 of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of the Parent Company's treasury shares.

Perpetual Series "2" Preferred Shares Issued and Listed with the PSE on March 12, 2015

On January 20, 2015, the BOD of the PSE approved, subject to SEC approval and certain conditions, the application of the Parent Company to list up to 15,000,000 perpetual series "2" preferred shares (FBP2 Shares) with a par value of P10.00 per share to cover the Parent Company's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered the Parent Company's Registration Statement covering the registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share (the "FBP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on the Parent Company's application to list up to 15,000,000 FBP2 Shares with a par value of P10.00 per share to cover the FBP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by the Parent Company's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the FBP2 Shares Offering, management determined the terms of the FBP2 Shares (Terms of the Offer), including the initial dividend rate for the FBP2 Shares at 5.6569% per annum.

A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of P1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the Parent Company, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 FBP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

The proceeds from the issuance of FBP2 Shares, net of transaction costs, amounted to P14,885.

On February 3, 2020, the Parent Company's BOD approved the redemption on March 12, 2020 of the 15,000,000 outstanding FBP2 shares issued on March 12, 2015 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends shall be paid on March 12, 2020 to relevant stockholders of record as at February 17, 2020.

Treasury Shares

Treasury shares, totaling 42,077,580 common shares as at December 31, 2021 and 2020, and 30,000,000 preferred shares as at December 31, 2021 and 2020, respectively, are carried at cost.

Retained Earnings

Unappropriation

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

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

Appropriation

On December 3, 2021,the BOD of SMB approved additional P16,211 of its retained earnings for the repayment of the SMB's term loans with various banks entered in 2021 and construction of malt terminal.

On December 4, 2021, the BOD of SMB approved additional appropriations amounting to P17,000 of its retained earnings for the repayment of the term loan entered in 2019 and redemption of the Series F bonds in April 2022.

On December 4, 2019, the BOD of SMB approved additional appropriations amounting to P19,962 of its retained earnings for the redemption of the Series G bonds in April 2021 and capacity expansion of SMB's brewery to support volume growth. P3,720 and P1,280 were disbursed for the foregoing projects in 2021 and 2020, respectively and were accordingly reversed. The P12,462 appropriation for the redemption of the SMB's Series G bonds was reversed upon the redemption of the Series G bonds in April 2021. The remaining P2,500 appropriation will be used for the capacity expansion of Bacolod Brewery.

Of the P11,600 SMB's appropriations in 2018 for the construction of its new brewery, brewhouse and cellars, P688, P4,502 and P5,810 were disbursed for the foregoing projects in 2021, 2020 and 2019, respectively and were accordingly reversed. The remaining P600 appropriation will be used to settle the outstanding payables related to the aforementioned construction projects.

On November 10, 2021, the BOD of GSMI approved the appropriation of P3,512 retained earnings, of the said amount, P3,000 will be used for expansion of capacity to support increase in demand and P512 will be used for rehabilitation of the its existing facilities.

As at December 31, 2020, the BOD of GSMI approved the appropriation of retained earnings amounting to P2,500 for the purpose of capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements until 2021. Such appropriation was reversed in 2021.

Dividend Declaration

The BOD of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders:

2021

Class of Shares	**Date of Declaration**	**Date of Record**	**Date of Payment**	**Dividend Per Share**
Common	February 3, 2021	February 18, 2021	March 3, 2021	**P0.40**
	May 5, 2021	May 20, 2021	June 4, 2021	**P0.40**
	August 4, 2021	August 19, 2021	September 3, 2021	**P0.40**
	November 10, 2021	November 24, 2021	December 10, 2021	**P0.50**

2020

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 3, 2020	February 17, 2020	March 2, 2020	P0.40
	May 27, 2020	June 11, 2020	June 26, 2020	0.40
	August 5, 2020	August 20, 2020	September 4, 2020	0.40
	November 4, 2020	November 18, 2020	December 4, 2020	0.40
Preferred FBP2	February 3, 2020	February 17, 2020	March 12, 2020	14.14225

Equity Adjustments from Common Control Transactions

The "Equity adjustments from common control transactions" account relate to the acquisition of SMB and GSMI by SMFB through a share swap transaction with SMC in 2018, arising from the difference between the consideration transferred and the net assets acquired. The acquisition is considered to be a business combination of entities under common control as the combining entities are all under the common control of SMC before and after the acquisition. The Group recognized the assets acquired and liabilities assumed at their carrying amounts in the consolidated financial statements of SMC. The carrying amounts in the consolidated financial statements of SMC are based on the fair values of assets and liabilities as of the date SMB and GSMI became subsidiaries of SMC and adjusted for subsequent transactions. Any goodwill relating to SMB and GSMI recognized in the consolidated financial statements of SMC is also recognized.

22. Revenues

This account consists of:

	Note	**2021**	2020	2019
Sale of goods		**P309,730**	P279,189	P310,687
Service revenues and others		**22**	31	72
Fair valuation adjustments on agricultural produce - net	*9*	**26**	70	26
		P309,778	P279,290	P310,785

23. Cost of Sales

This account consists of:

	Note	**2021**	2020	2019
Inventories	*9*	**P124,729**	P115,597	P123,047
Taxes and licenses		**71,964**	63,378	66,760
Depreciation and amortization	*25*	**7,138**	7,063	6,112
Communications, light, fuel and water		**6,010**	5,101	6,050
Personnel	*26*	**3,894**	3,625	3,991
Freight, trucking and handling		**3,523**	3,377	3,519
Repairs and maintenance		**1,262**	1,266	1,542
Rent	*4, 32*	**240**	239	234
Write-down of inventories to net realizable value	*9*	**45**	61	41
Others		**501**	532	734
		P219,306	P200,239	P212,030

24. Selling and Administrative Expenses

This account consists of:

	2021	2020	2019
Selling	**P25,675**	P25,252	P30,541
Administrative	**21,102**	20,387	20,433
	P46,777	P45,639	P50,974

Selling expenses of:

	Note	2021	2020	2019
Freight, trucking and handling		**P8,110**	P8,125	P10,194
Advertising and promotions		**5,619**	5,159	8,526
Contracted services		**4,176**	3,885	3,666
Personnel	*26*	**3,323**	3,215	3,467
Rent	*4, 32*	**1,493**	2,057	1,997
Depreciation and amortization	*25*	**735**	880	778
Taxes and licenses		**455**	555	548
Write-down of inventories to net realizable value	*9*	**134**	165	56
Others		**1,630**	1,211	1,309
		P25,675	P25,252	P30,541

Administrative expenses consist of:

	Note	2021	2020	2019
Personnel	*26*	**P7,665**	P6,202	P6,926
Depreciation and amortization	*25*	**4,221**	3,974	3,938
Contracted services		**2,401**	2,509	2,279
Management fees	*30*	**1,340**	1,158	1,311
Corporate special program		**612**	1,103	709
Rent	*4, 32*	**947**	886	887
Taxes and licenses		**674**	771	721
Write-down of inventories to net realizable value	*9*	**787**	692	630
Repairs and maintenance		**580**	503	667
Professional fees		**409**	452	573
Insurance		**456**	431	448
Communications, light, fuel and water		**565**	420	506
Supplies		**284**	346	296
Travel and transportation		**101**	113	269
Others		**60**	827	273
		P21,102	P20,387	P20,433

"Selling and Administrative Expenses" included COVID-19 related expenses comprised mainly of employee related costs such as special allowances, temporary accommodation, transportation, swab tests and personal protective kits, all to sustain operations despite the risks.

25. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	**2021**	2020	2019
Cost of sales:				
Biological assets	*10*	**P2,896**	P3,565	P3,152
Property, plant and equipment	*13*	**4,011**	3,280	2,775
Right-of-use assets	*14*	**127**	109	97
Deferred containers and others	*15, 16, 17*	**104**	109	88
	23	**7,138**	7,063	6,112
Selling and administrative expenses:				
Property, plant and equipment	*13*	**1,050**	1,075	807
Right-of-use assets	*14*	**556**	709	685
Deferred containers and others	*15, 16, 17*	**3,350**	3,070	3,224
	24	**4,956**	4,854	4,716
		P12,094	P11,917	P10,828

"Others" include depreciation of investment property and amortization of land use rights, computer software and licenses and pallets, kegs and CO_2 cylinders.

26. Personnel Expenses

This account consists of:

	Note	**2021**	2020	2019
Salaries and allowances		**P8,191**	P8,196	P8,666
Retirement costs	*29*	**2,576**	902	827
Other employee benefits		**4,115**	3,944	4,891
		P14,882	P13,042	P14,384

Personnel expenses are distributed as follows:

	Note	**2021**	2020	2019
Cost of sales	*23*	**P3,894**	P3,625	P3,991
Selling expenses	*24*	**3,323**	3,215	3,467
Administrative expenses	*24*	**7,665**	6,202	6,926
		P14,882	P13,042	P14,384

27. Other Income and Charges

These accounts consist of:

(a) Interest Expense and Other Financing Charges

	2021	2020	2019
Interest expense	**P3,112**	P3,484	P2,799
Other financing charges	**248**	457	321
	P3,360	P3,941	P3,120

Amortization of debt issue costs included as part of "Other financing charges" amounted to P93, P87 and P38 in 2021, 2020 and 2019, respectively (Note 20).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

	Note	2021	2020	2019
Loans payable	*18*	**P105**	P345	P849
Long-term debt	*20*	**2,653**	2,772	1,618
Lease liabilities	*32*	**354**	367	332
		P3,112	P3,484	P2,799

(b) Interest Income

	Note	2021	2020	2019
Interest from short-term investments, cash in banks and others	*7*	**P465**	P723	P1,113
Interest on amounts owed by related parties	*30*	**3**	11	20
		P468	P734	P1,133

(c) Other Income (Charges)

	Note	2021	2020	2019
Gain (loss) on derivatives - net	*34*	**(P509)**	P442	P282
Rent income	*32*	**181**	180	173
Gain on sale of scrap materials		**43**	43	-
Gain (loss) on foreign exchange - net	*33*	**23**	31	(5)
Provision on impairment (a)	*13*	**(455)**	-	(1,015)
Miscellaneous gain (c)	*36*	**170**	1,490	1,430
Others - net (b)		**350**	(567)	(311)
		(P197)	P1,619	P554

a) SMB - North China Operations
In 2019, SMB incurred losses in its North China operations due to fierce market competitions resulting in the decline in product demand compared to forecasted sales. These factors, among others, are indications that noncurrent assets of the SMB's North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other intangible assets, may be impaired.

In March 2020, SMBIL and SMCIC, shareholders of SMBB passed a resolution approving the dissolution of SMBB. SMBB stopped operations and production activities from the date of the resolution and started liquidation.

As SMBB's assets have been reduced to their recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amounts would result in further impairment losses.

SMB - Hong Kong Operations
In 2019, SMB reassessed the recoverable amount of SMBHK's production plant and concluded that no further impairment losses or reversals of previously recognized impairment losses are required in 2019.

As SMBHK's assets have been reduced to their recoverable amount, any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment losses.

Management determined the growth rate and gross contribution rate based on past experiences and future plans and expected market trends.

On November 29, 2020, the business term of GSMB had expired, in accordance with its Articles of Association and the joint venture contract between SMGL and Guangzhou Brewery, and the shareholders have agreed not to renew the same. Because of the expiry of its business term, all GSMB employees had been terminated effective November 29, 2020 and GSMB had ceased operations and business activities on November 30, 2020 and started liquidation on the said date.

San Miguel (Guangdong) Brewery Co. Ltd. ("SMGB"), another SMBHK subsidiary in PRC that is currently a major production source for the San Miguel brands sold by GSMB, had undertaken the selling and marketing of these San Miguel brands in the South China Market which commenced on November 30, 2020.

Magnolia - La Pacita Operations
As discussed in Note 5, Magnolia ceased the operation of La Pacita biscuit and assessed the recoverable value of the trademarks, formulations, recipes and other intangible properties. It was determined that the carrying amount of the asset was higher than the recoverable amount. Impairment loss was recognized amounting to P386 to reduce the carrying amount of trademark to recoverable amount.

b) "Others - net" include casualty loss, expenses of closed facilities, gain on insurance proceeds and dividend income on investments.

The effects of African Swine Fever (ASF), which started in the third quarter of 2019, continued to unfavorably affect the business in 2020 which resulted in casualty losses from ASF mortalities, retirement of breeding stocks and closure of related hog facilities. But these casualty losses has significantly declined in 2021.

c) Miscellaneous gain represents the amount of tax credit certificates issued by the BIR to SMB for the tax refund cases of San Mig Light for the year 2019 in 2021, tax refund cases for the years 2007, 2008 and 2011 in 2020 and tax refund cases for the years 2009 and 2010 in 2019 (Note 36).

28. Income Taxes

(a) The components of income tax expense are shown below:

	2021	2020	2019
Current	**P9,156**	P9,815	P13,681
Deferred	**229**	(428)	147
	P9,385	P9,387	P13,828

(b) Deferred tax asset and liabilities as at December 31 arise from the following:

	2021	2020
Net defined benefit retirement obligation and equity reserve for retirement plan	**P445**	P860
Allowance for impairment losses on receivables and write-down of inventories	**627**	737
NOLCO	**15**	507
MCIT	**12**	232
Unrealized gain on derivatives - net	**90**	(5)
Others	**922**	500
	P2,111	P2,831

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	2021	2020
Deferred tax assets	*4*	**P2,137**	P2,857
Deferred tax liabilities		**(26)**	(26)
		P2,111	P2,831

The movements of deferred tax assets and liabilities are accounted for as follows:

	Balance at Beginning of Year	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**December 31, 2021**		
					Balance at End of Year	**Deferred Tax Asset**	**Deferred Tax Liability**
Net defined benefit retirement obligation and equity reserve for retirement plan	**P860**	**P87**	**(P499)**	**(P3)**	**P445**	**P445**	**P -**
Allowance for impairment losses on receivables and write-down of inventories	**737**	**(111)**	**-**	**1**	**627**	**627**	**-**
NOLCO	**507**	**(492)**	**-**	**-**	**15**	**15**	**-**
MCIT	**232**	**(220)**	**-**	**-**	**12**	**12**	**-**
Unrealized loss on derivatives - net	**(5)**	**94**	**-**	**1**	**90**	**90**	**-**
Others	**500**	**413**	**-**	**9**	**922**	**948**	**(26)**
	P2,831	**(P229)**	**(P499)**	**P8**	**P2,111**	**P2,137**	**(P26)**

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31, 2020		
					Balance at End of Year	Deferred Tax Asset	Deferred Tax Liability
Net defined benefit retirement obligation and equity reserve for retirement plan	P1,051	(P95)	(P87)	(P9)	P860	P863	(P3)
Allowance for impairment losses on receivables and write-down of inventories	682	58	-	(3)	737	737	-
NOLCO	206	301	-	-	507	507	-
MCIT	133	99	-	-	232	232	-
Unrealized loss on derivatives - net	(3)	(2)	-	-	(5)	(5)	-
Others	431	67	-	2	500	523	(23)
	P2,500	P428	(P87)	(P10)	P2,831	P2,857	(P26)

As at December 31, 2021, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	**Carryforward Benefits Up to**	**NOLCO**	**MCIT**
2019	December 31, 2022	88	4
2020	December 31, 2025	18	5
2021	December 31, 2024	-	3
2021	December 31, 2026	1	-
		P107	**P12**

Temporary differences on the combined carryforward benefits of MCIT and NOLCO amounting to P756, P259 and P196 as at December 31, 2021, 2020 and 2019, respectively, were not recognized. Management believes that it may not be probable that sufficient future taxable profits will be available against which the combined carryforward benefits of MCIT and NOLCO can be utilized.

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of RA No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five (5) consecutive taxable years following the year such loss was incurred.

(c) The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2021	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to final tax	**(0.21%)**	(0.60%)	(0.71%)
Others - net	**(1.79%)**	0.13%	0.70%
Effective income tax rates	**23.00%**	29.53%	29.99%

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill
The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of Minimum Corporate Income Tax (MCIT) rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021 (i.e., 25% RCIT, 1% MCIT) for financial reporting purposes.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE law are as follows:

ASSETS	
Prepaid expenses and other current assets	**P133**
Deferred tax assets	**(235)**
	(P102)
LIABILITIES AND EQUITY	
Income and other taxes payable	**P680**
Equity reserves	**44**
Retained earnings	**(302)**
Non-controlling Interests	**(320)**
	P102
Provision for income tax:	
Current	**(P813)**
Deferred	**189**
	(P624)

29. Retirement Plan

SMFB, SMB and GSMI, including majority of their subsidiaries, have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering certain number of their permanent employees. The Retirement Plans pay out benefits based on final pay. In 2021, the GSMI, SMFI, PHC and Magnolia made amendments to its Retirement Plan in terms of the percentage of final pay based on the adjusted credited years of service. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2021. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the Bureau of Internal Revenue as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Majority of the Board of Trustees of the Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of SMFB, SMB, GSMI and their subsidiaries. The Retirement Plans' accounting and administrative functions are undertaken by Retirement Funds Office of SMC.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Balance at beginning of year	**P17,130**	P18,049	**(P18,135)**	(P19,341)	**(P5)**	P -	**(P1,010)**	(P1,292)
Recognized in Profit or Loss								
Past service costs	**-**	-	**(1,710)**	(4)	**-**	-	**(1,710)**	(4)
Current service costs			**(866)**	(898)			**(866)**	(898)
Interest expense	**-**	-	**(699)**	(969)	**-**	-	**(699)**	(969)
Interest income	**637**	886	**-**	-	**-**	-	**637**	886
	637	886	**(3,275)**	(1,871)	**-**	-	**(2,638)**	(985)
Recognized in Other Comprehensive Income								
Remeasurements:								
Actuarial gains (losses) arising from:								
Experience adjustments	**-**	-	**707**	1,997	**-**	-	**707**	1,997
Changes in financial assumptions	**-**	-	**1,311**	(383)	**-**	-	**1,311**	(383)
Changes in demographics assumptions	**-**	-	**(159)**	(64)	**-**	-	**(159)**	(64)
Return on plan assets excluding interest income	**(489)**	(1,238)	**-**	-	**-**	-	**(489)**	(1,238)
Changes in the effect of asset ceiling	**-**	-	**-**	-	**(58)**	(5)	**(58)**	(5)
Translation adjustments	**-**	-	**-**	14	**-**	-	**-**	14
	(489)	(1,238)	**1,859**	1,564	**(58)**	(5)	**1,312**	321
Others								
Contributions	**894**	941	**-**	-	**-**	-	**894**	941
Benefits paid	**(1,311)**	(1,471)	**1,324**	1,483	**-**	-	**13**	12
Other adjustments	**138**	(37)	**(79)**	30	**-**	-	**59**	(7)
	(279)	(567)	**1,245**	1,513	**-**	-	**966**	946
Balance at end of year	**P16,999**	P17,130	**(P18,306)**	(P18,135)	**(P63)**	(P5)	**(P1,370)**	(P1,010)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income amounted to P2,576, P902 and P827 in 2021, 2020 and 2019, respectively (Note 26).

The above net defined benefit retirement liability was included in the consolidated statements of financial position as part of:

	Note	**2021**	2020
Other noncurrent assets	*17*	**P809**	P157
Other noncurrent liabilities		**(2,179)**	(1,167)
		(P1,370)	(P1,010)

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2020 and 2019.

The Group's plan assets consist of the following:

	In Percentages	
	2021	2020
Investments in marketable securities and shares of stock	**66.18**	66.0
Investments in pooled funds:		
Stock trading portfolio	**2.97**	2.8
Fixed income portfolio	**10.79**	12.1
Investments in real estate	**0.72**	0.7
Others	**19.33**	18.4

Investments in Marketable and Debt Securities
As of December 31, 2021, the plan assets include:

- 27,914,010 common shares, 8,028,970 Subseries "2-F", 215,440 Subseries "2-H", 8,369,770 Subseries "2-I", 3,083,800 Subseries "2-J", and 2,498,200 Subseries "2-K" preferred shares of SMC with fair market value per share of P114.90, P79.25, P75.95, P79.65, P76.50, and P75.85, respectively;

- Investment in SMC bonds amounting to P1,256;

- 10,921,900 common shares and 364,160 preferred shares of Petron with fair market value per share of P3.17 and P1,119.00, respectively;

- Investment in Petron bonds amounting to P342;

- 28,549,900 common shares of SMB with fair market value per share of P20.00;

- Investment in SMB bonds amounting to P102;

- 5,063,324 common shares of GSMI with fair market value per share of P113.80;

- 4,253,660 common shares of SMFB with fair market value per share of P71.40;

- Investment in SMFB bonds amounting to P189;

- 3,152,443 common shares of Top Frontier with fair market value per share of P127.70;

- Investment in South Luzon Tollway Corporation (SLTC) bonds amounting to P103; and

- Investment in SMC Global Power Holdings Corp. (SMC Global) bonds amounting to P479.

As of December 31, 2020, the plan assets include:

- 28,633,200 common shares, 2,869,750 Subseries “2-E”, 8,028,970 Subseries “2-F”, 92,230 Subseries “2-G”, 215,440 Subseries “2-H”, 8,396,770 Subseries “2-I”, 2,977,100 Subseries “2-J”, and 2,498,200 Subseries “2-K” preferred shares of SMC with fair market value per share of P128.10, P75.40, P77.30, P75.80, P78.00, P76.80, 75.50 and P75.50, respectively;

- Investment in SMC bonds amounting to P984;

- 6,849,900 common shares and 350,000 preferred shares of Petron with fair market value per share of P3.99 and P1,114.00, respectively;

- Investment in Petron bonds amounting to P49;

- 28,549,900 common shares of SMB with fair market value per share of P20.00;

- Investment in SMB bonds amounting to P307;

- 6,499,864 common shares of GSMI with fair market value per share of P49.40;

- 3,303,590 common shares of SMFB with fair market value per share of P67.00;

- Investment in SMFB bonds amounting to P180;

- 3,152,443 common shares of Top Frontier with fair market value per share of P140.00;

- Investment in South Luzon Tollway Corporation (SLTC) bonds amounting to P102; and

- Investment in SMC Global Power Holdings Corp. (SMC Global) bonds amounting to P584.

The fair market value per share of the above shares of stock is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Group’s Retirement Plans recognized gains (losses) on the investment in marketable securities of SMC and its subsidiaries amounting to P74 and P1,072 in 2021 and 2020, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P232 and P214 in 2021 and 2020, respectively.

Investments in Shares of Stock
The Group’s plan assets also include SMB Retirement Plan’s investment in 8,608,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under the cost method, amounting to P859 as at December 31, 2021 and 2020 (Note 30).

Investments in Pooled Funds
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of SMC and its domestic subsidiaries to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees of the Group's Retirement Plans approved the percentage of assets to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plans based on their pro-rata share in net assets of pooled funds. The Retirement Plans' interests in the net assets of the pooled funds were 64.4% and 63.9% of fixed income portfolio as of December 31, 2021 and 2020, respectively. The Retirement Plans' interests in net assets of the pooled funds were 80.9% and 56.5% of stock trading portfolio as of December 31, 2021 and 2020, respectively.

Approximately 52.7% and 42.4% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2021 and 2020, respectively.

Approximately 43.3% and 42.3% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2021 and 2020, respectively.

Investments in Real Estate
The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P118 as at December 31, 2021 and 2020.

Others
Others include the Retirement Plan's investments in government securities, cash and cash equivalents, receivables and deposits which earn interest.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute the amount of P606 to the Retirement Plans in 2022.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2021	2020
Discount rate	**3.82% - 7.00%**	0.40% - 7.00%
Salary increase rate	**4.00% - 8.00%**	2.00% - 8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 6.0 to 14.53 years and 5.0 to 14.53 years as at December 31, 2021 and 2020 respectively.

As at December 31, 2021 and 2020, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	2021		2020	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,127)**	**P1,324**	(P1,173)	P1,366
Salary increase rate	**1,333**	**(1,162)**	1,358	(1,194)

Transactions with the Retirement Plans are made at normal market prices.

30. Related Party Disclosures

The Parent Company and certain subsidiaries and their shareholders purchase products and services from one another in the normal course of business. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at December 31:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	**2021**	**P223**	**P1,696**	**P261**	**P806**	On demand; non-interest bearing	Unsecured; no impairment
	2020	134	2,396	148	579		
Entities under Common Control of the Intermediate Parent Company	**2021**	**846**	**35,303**	**770**	**14,707**	On demand; non- interest bearing	Unsecured; no impairment
	2020	890	26,286	658	11,486		
Joint Venture	**2021**	**1**	**335**	**627**	**4**	On demand or less than 2 to 5 years; interest bearing	Unsecured; with impairment
	2020	1	497	628	76		
Associate of Intermediate Parent Company	**2021**	**1**		**-**	**-**	Less than 3 months; interest bearing	Unsecured; no impairment
	2020	1	-	1	-		
Shareholders in Subsidiaries and its Affiliates	**2021**	**56**	**4,315**	**131**	**52**	On demand; non-interest bearing	Unsecured; no impairment
	2020	15	3,016	129	-		
Total	**2021**	**P1,127**	**P41,649**	**P1,789**	**P15,569**		
Total	2020	P1,041	P32,195	P1,564	P12,141		

a. Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses (Notes 8, 11 and 17).

b. Amounts owed to related parties consist of trade and non-trade payables (Note 19). Amounts owed to related parties included under “Other noncurrent liabilities” account in the consolidated statements of financial position amounted to P33 and P62 as at December 31, 2021 and 2020, respectively.

c. Amounts owed to associate of the Intermediate Parent Company represent interest bearing loans payable to Bank of Commerce presented as part of “Loans payable” account in the consolidated statements of financial position (Note 18).

d. The Group has entered into various lease agreements with related parties as a lessor and lessee (Note 32).

e. TSML executed various promissory notes in favor of GSMI.

- Principal sum of THB250 together with interest of 5.5% per annum, which interest shall accrue on March 13, 2014.

- Principal sum of THB50 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.

- Principal sum of THB25 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.

- Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.

- Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.

The principal sum is due and payable in full on demand of GSMI and the stipulated interest shall be payable every three months.

The receivables from TSML amounting to P540 as at December 31, 2020, respectively, are included as part of “Amounts owed by related parties” under “Trade and other receivables - net” account in the consolidated statements of financial position (Note 8).

f. The compensation of the key management personnel of the Group, by benefit type, follows:

	Note	**2021**	2020	2019
Short-term employee benefits		**P135**	P150	P229
Retirement costs (benefits)	*29*	**27**	6	2
		P162	P156	P231

31. Basic Earnings Per Common Share

Basic EPS is computed as follows:

	Note	**2021**	2020	2019
Net income attributable to equity holders of the Parent Company		**P19,789**	P12,476	P18,278
Dividends on preferred shares	*21*	**-**	212	849
Net income attributable to equity holders of the Parent Company (a)		**P19,789**	P12,264	P17,429
Common shares issued and outstanding (in millions)		**5,909**	5,909	5,909
Weighted average number of common shares (in millions) (b)		**5,909**	5,909	5,909
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)		**P3.35**	P2.08	P2.95

As at December 31, 2021, 2020 and 2019, the Group has no dilutive equity instruments.

32. Lease Commitments

<u>Operating Leases</u>

Group as Lessor

The Group has entered into lease agreements on its investment property, offices and machinery and equipment. The non-cancellable leases have lease term of one to five years. Some lease agreements include a clause to enable upward revision of the rental change on an accrual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

Operating Leases under PFRS 16	**2021**	2020
Within one year	**P146**	P148
After one but not more than five years	**67**	136
After five years	**3**	3
	P216	P287

Rent income recognized in the consolidated statements of income amounted to P181, P180 and P173 in 2021, 2020 and 2019, respectively (Notes 4 and 27).

Group as Lessee

The Group leases a number of equipment, offices, warehouses, factory facilities and parcels of land under operating lease. The leases will expire in various terms. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

As at January 1, 2019, the Group recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets (Notes 3 and 14).

The Group recognized interest expense related to these leases amounting to P354 and P367 in 2021 and 2020, respectively (Note 27).

Changes in liabilities arising from financing activities are as follows:

	2021	2020
Balance as at January 1	**P4,782**	P4,531
Changes from Financing Activities		
Payments of lease liabilities	**(596)**	(750)
Total Changes from Financing Activities	**(596)**	(750)
Other Changes		
Additions during the year	**648**	1,001
Balance as at December 31	**P4,834**	P4,782

Rent expense recognized in the consolidated statements of income amounted to P2,680, P3,182 and P3,118 in 2021, 2020 and 2019, respectively (Notes 4, 23, 24 and 30).

33. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI, investments in equity instruments, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, trade payables and other current liabilities, excluding dividends payable and statutory liabilities, and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as commodity and currency options and forwards are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price and foreign currency risks arising from the operating activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group’s corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors’ qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management’s process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD.

The Audit Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the SEC and/or the PSE.

The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group’s exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The terms and maturity profile of the interest-bearing long-term borrowings, together with its gross amounts, are shown in the following tables:

December 31, 2020	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	**P7,188**	**P13,151**	**P27,232**	**P18,284**	**P65,855**
Interest rate	**3.875%- 6.60%**	**3.284%- 6.00%**	**3.2840%- 5.050%**	**3.5830%- 5.25%**	
Floating Rate					
Philippine peso-denominated		**238**	**238**	**7,524**	**8,000**
Interest rate		**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	
	P7,188	**P13,389**	**P27,470**	**P25,808**	**P73,855**

December 31, 2020	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated	P12,629	P7,536	P20,943	P18,392	P59,500
Interest rate	4.2105% - 8.3480%	3.2837% - 8.3480%	3.2837% - 6.00%	3.2837% - 5.25%	
Floating Rate					
Philippine peso-denominated	-	-	-	8,000	8,000
Interest rate	-	-	-	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	P12,629	P7,536	P20,943	P26,392	P67,500

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P80 and P80 for the year ended December 31, 2021 and 2020, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using derivative and non-derivative instruments to manage its foreign currency risk exposure.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2021		2020	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$210**	**P10,716**	US$174	P8,353
Trade and other receivables	**22**	**1,129**	28	1,323
Noncurrent receivables	**-**	**10**	-	10
	232	**11,855**	202	9,686
Liabilities				
Loans payable	**-**	**-**	2	96
Trade payables and other current liabilities	**101**	**5,170**	125	5,990
Lease liabilities	**1**	**38**	-	16
Other noncurrent liabilities	**-**	**14**	-	-
	102	**5,222**	127	6,102
Net Foreign Currency-denominated Monetary Assets	**US$130**	**P6,633**	US$75	P3,584

The Group reported net foreign exchange gains (losses) amounting to P46, P31 and (P5) in 2021, 2020 and 2019, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 27). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippines Peso
December 31, 2021	**P50.999**
December 31, 2020	48.023
December 31, 2019	50.635

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as at December 31, 2021 and 2020.

	2021			
	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
	Effect on Income before Income Tax	**Effect on Equity (Net of Tax)**	**Effect on Income before Income Tax**	**Effect on Equity (Net of Tax)**
Cash and cash equivalents	**(P20)**	**(P205)**	**P20**	**P205**
Trade and other receivables	**(1)**	**(22)**	**1**	**22**
	(21)	**(227)**	**21**	**227**
Loans payable	**-**	**-**	**-**	**-**
Trade payables and other current liabilities	**21**	**96**	**(21)**	**(96)**
Other noncurrent liabilities	**-**	**1**	**-**	**(1)**
	21	**97**	**(21)**	**(97)**
	P -	**(P130)**	**P -**	**P130**

	2020			
	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P27)	(166)	P27	P166
Trade and other receivables	-	(27)	-	27
	(27)	(193)	27	193
Loans payable	-	2	-	(2)
Trade payables and other current liabilities	63	106	(63)	(106)
	63	108	(63)	(108)
	P36	(P85)	(P36)	P85

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk
Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group of Companies and managing inventory levels of common materials.

The Group uses commodity futures, swaps and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

Liquidity Risk
Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P41,581	P41,581	P41,581	P -	P -	P -
Trade and other receivables - net	22,857	22,857	22,857	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	23	23	23	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,157	5,157	-	-	-	5,157
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	198	198	-	88	43	67
Financial Liabilities						
Loans payable	5,191	5,150	5,150	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	60,613	60,613	60,613	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	204	204	204	-	-	-
Long-term debt (including current maturities)	73,405	86,953	10,065	3,260	46,064	27,564
Lease liabilities (including current portion)	4,834	11,823	680	589	1,429	9,125
Other non-current liabilities	47	47	-	33	-	14

December 31, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P37,013	P37,013	P37,013	P -	P -	P -
Trade and other receivables - net	20,032	20,032	20,032	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	172	172	172	-	-	-
Financial assets at FVOCI (included under "Investments" account)	4,855	4,855	-	-	-	4,855
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	226	226	-	93	83	50
Financial Liabilities						
Loans payable	10,780	10,794	10,794	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	54,414	54,414	54,414	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	24	24	24	-	-	-
Long-term debt (including current maturities)	67,099	79,650	15,283	9,295	26,564	28,508
Lease liabilities (including current portion)	4,782	12,205	715	505	1,370	9,615
Other non-current liabilities	78	78	-	62	7	9

Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Credit Quality

In monitoring and controlling credit extended to a counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	Note	**2021**	2020
Cash and cash equivalents (excluding cash on hand)	*7*	**P41,483**	P36,358
Trade and other receivables - net	*8*	**22,857**	20,032
Derivative assets	*11*	**23**	172
Financial assets at FVOCI	*12*	**5,157**	4,855
Noncurrent receivables and deposits - net	*17*	**198**	226
		P69,718	P61,643

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	Financial Assets at Amortized Cost				
2021	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P41,483**	**P -**	**P -**	**P -**	**P41,483**
Trade and other receivables - net	**22,857**	**-**	**1,385**	**-**	**24,242**
Derivative assets	**-**	**-**	**-**	**23**	**23**
Noncurrent receivables and deposits - net	**-**	**198**	**-**	**-**	**198**
	P64,340	**P198**	**P1,385**	**P23**	**P65,946**

	Financial Assets at Amortized Cost				
2020	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P36,358	P -	P -	P -	P36,358
Trade and other receivables - net	20,032	-	1,554	-	21,586
Derivative assets	-	-	-	172	172
Noncurrent receivables and deposits - net	-	226	42	-	268
	P56,390	P226	P1,596	P172	P58,384

The aging of receivables is as follows:

2021	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P15,549**	**P1,135**	**P558**	**P17,242**
Past due:				
1 - 30 days	**3,479**	**224**	**74**	**3,777**
31 - 60 days	**510**	**86**	**39**	**635**
61 - 90 days	**66**	**145**	**14**	**225**
Over 90 days	**802**	**658**	**903**	**2,363**
	P20,406	**P2,248**	**P1,588**	**P24,242**

2020	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P13,784	P724	P340	P14,848
Past due:				
1 - 30 days	2,588	233	101	2,922
31 - 60 days	557	90	55	702
61 - 90 days	229	33	30	292
Over 90 days	1,186	731	905	2,822
	P18,344	P1,811	P1,431	P21,586

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

The credit risk for cash and cash equivalents and derivative assets, financial assets at FVOCI is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group is not subject to externally imposed capital requirements.

34. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as at December 31, 2021 and 2020:

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P41,581**	**P41,581**	P37,013	P37,013
Trade and other receivables - net	**22,857**	**22,857**	20,032	20,032
Derivative assets (included under "Prepaid expenses and other current assets" account)	**23**	**23**	172	172
Financial assets at FVOCI (included under "Investments" account)	**5,157**	**5,157**	4,855	4,855
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**198**	**198**	226	226
Financial Liabilities				
Loans payable	**5,191**	**5,191**	10,780	10,780
Trade payables and other current liabilities (excluding derivative liabilities)	**60,613**	**60,613**	54,414	54,414
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**204**	**204**	24	24
Long-term debt (including current maturities)	**73,405**	**74,450**	67,099	72,007
Lease liabilities (including current portion)	**4,834**	**4,834**	4,782	4,802
Other noncurrent liabilities	**47**	**47**	78	78

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, and Noncurrent Receivables and Deposits. The carrying amounts of cash and cash equivalent and trade and other receivables approximate fair values primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, the fair value approximates the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding commodity derivatives, the fair values are determined based on quoted prices obtained from active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market.

Loans Payable, Trade Payables and Other Current Liabilities, and Other Noncurrent Liabilities. The carrying amounts of loans payable and trade payables and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments. In the case of other noncurrent liabilities, the carrying amount approximates the fair value as at reporting date as the impact of discounting is immaterial.

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. As at December 31, 2021 and 2020, discount rates used ranges from 1.07% to 4.70% and from 1.11% to 2.31% respectively.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in profit or loss. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of various commodity options entered into by SMC on behalf of the Group.

As of December 31, 2021 and 2020, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As of December 31, 2021 and 2020, the total outstanding notional amount of such embedded currency forwards amounted to US$215 and US$126, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net positive (negative) fair value of these embedded currency forwards amounted to (P181) and P148 as of December 31, 2021 and 2020, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P509), P442 and P282 in 2021, 2020 and 2019, respectively (Note 27).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P148**	P113
Net change in fair value of non-accounting hedges	*27*	**(509)**	442
		(361)	555
Less fair value of settled instruments		**542**	(407)
Balance at end of year		**P181**	P148

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

2021	**Level 1**	**Level 2**	**Total**
Financial Assets			
Derivative assets	**P -**	**P23**	**P23**
Financial assets at FVOCI	**5,156**	**1**	**5,157**
Financial Liabilities			
Derivative liabilities	**-**	**204**	**204**

2020	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P172	P172
Financial assets at FVOCI	4,855	-	4,855
Financial Liabilities			
Derivative liabilities	-	24	24

The Group has no financial instruments valued based on Level 3 as at December 31, 2021 and 2020. In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

35. Registration with the Board of Investments (BOI) and the Authority of Freeport Area of Bataan (AFAB)

Certain expansion projects of SMFB's consolidated subsidiaries are registered with the BOI, as pioneer and non-pioneer status, or with AFAB. As registered enterprises, these SMFB's subsidiaries are subject to certain requirements and are entitled to certain tax and non-tax incentives.

SMFI
SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat meals projects. In accordance with the provisions of Executive Order No. 226 (EO no. 226), otherwise known as *"The Omnibus Investment Code of 1987"* and the Republic Act. No. 9728 (RA 9782), also known as *"The Freeport Area of Bataan Act of 2009"*, the projects are entitled, among others, to fiscal incentives described as follows:

a) *New Producer of Hogs.* SMFI's (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Hog Project) was registered with the BOI on a pioneer status on July 30, 2008 under Certificate of Registration No. 2008-192. The Sumilao Hog Project was entitled to ITH for a period of six years, extendable under certain conditions to eight years.

SMFI's six-year ITH for the Sumilao Hog Project ended on January 31, 2015. The Company's application for one year extension of ITH from February 1, 2015 to January 31, 2016 was approved by the BOI on May 20, 2016. Application for the second year extension of ITH was no longer pursued by SMFI.

Notwithstanding the expiration of ITH benefit in 2016, SMFI is still required to continue submission of annual reports to the BOI for a period of five (5) years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

On February 11, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2008-192. On July 21, 2021, by virtue of Resolution No. 27-02, series of 2021, the Management Committee of the BOI noted the action taken by the Executive Director in approving the request for cancellation and removal of said registration from the BOI's Book of Registry.

b) *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years. The ITH period of the project commenced on July 1, 2018.

c) *New Producer of Animal and Aqua Feeds.* The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years.

   On May 24, 2019, BOI approved SMFI's request to move Davao Feedmill Project's start of commercial operations and ITH reckoning date to April 2019. The ITH period of the project commenced on April 1, 2019.

d) *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered with the BOI on a non-pioneer status on November 10, 2015 under Certificate of Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years.

   On May 24, 2019, the BOI approved SMFI's request to move Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 1, 2019.

e) SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the Authority of Freeport Area of Bataan (AFAB) as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species* on January 6, 2017-057 under Certificate of Registration No. 2017-057, valid for a period of one (1) year, renewable annually subject to qualifications as determined by AFAB.

   Said AFAB registration of the Bataan Feedmill Project has been renewed accordingly as follows:

Registration Renewal Date	Certificate of Registration No.	Annual Period Covered
March 6, 2018	2018-096	2018
February 14, 2019	2019-079	2019
December 10, 2019	2020-047	2020
December 29, 2020	2021-081	2021

   Under the terms of SMFI's AFAB registration, Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on May 1, 2018.

f) *New Producer of Ready-to-Eat Meals.* The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered on a non-pioneer status on December 13, 2017 under Certificate of Registration No. 2017-335. The Ready-to-Eat Project is entitled to ITH for four years from March 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

   On March 19, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2017-335. On May 19, 2021, by virtue of Resolution No. 19-07, series of 2021, the Management Committee of the BOI noted the cancellation of said registration undertaken by the Executive Director and the deletion of the registration from the BOI's Book of Registry.

g) *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Phividec, Tagaloan, Misamis Oriental feedmill project (CDO Feedmill Project) was registered on a non-pioneer status on May 27, 2020 under Certificate of Registration No. 2020-075. The CDO Feedmill Project is entitled to ITH for four years from June 2020 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years. ITH period of the project commenced on June 1, 2020.

<u>PF-Hormel</u>
PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in Executive Order No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017 until November 2020.

SMMI
SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Product (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in Executive Order No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier.

On July 25, 2019, the BOI approved SMMI's subsequent request to further adjust the ITH reckoning date to July 2019 or actual start of commercial operations, whichever is earlier. The ITH period of the project commenced on December 1, 2019.

On August 7, 2020, by virtue of Resolution No. 15-19, Series of 2020, the BOI approved SMMI's request for amendment of ITH Base Figure from peso sales value of 9,582,065,157 to sales volume of 388,447 Metric Tons.

36. Other Matters

(a) Toll Agreements

The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the "Parties"). The terms of the agreements include the following, among others:

- The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.

- Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.

- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses amounted to P7,784, P8,376 and P9,210, respectively, in 2021, 2020 and 2019.

(b) Contingencies

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

- SEC Case

  On September 10, 2018, SMFB, SMC and GSMI received from the SEC Special Hearing Panel, a Summons dated September 3, 2018 furnishing SMC, SMFB and GSMI a copy of the Amended Petition in a case filed by Josefina Multi-Ventures Corporation (the "Petitioner") against SMC, SMFB and GSMI docketed as SEC Case No. 05-18-468 (the "Petition"). The Petition seeks: (i) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from the increase in SMFB's capital stock, and (b) SMFB's Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

  In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries SMB and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

  The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc, which is still pending resolution. In a Decision dated September 14, 2020, the SEC *En Banc* denied the Appeal Memorandum filed by Josefina for lack of merit.

  To date, SMFB has not received any notice that Petitioner has elevated or appealed the case to the Court of Appeals. The period for filing an appeal having expired, the March 12, 2020 decision of the SEC *En Banc* is deemed final and executory.

- Claims for Tax Refund

  i. Filed by SMC

     On April 12, 2004 and May 26, 2004, SMC was assessed by the BIR for deficiency excise tax on "San Mig Light", one of its beer products. SMC contested the assessments before the Court of Tax Appeals (CTA) First Division under two cases: CTA Case Nos. 7052 and 7053. To these cases was consolidated SMC's claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it for its "San Mig Light" product for the period of February 2, 2004 to November 30, 2005 (docketed as CTA Case No. 7405). The CTA, through its First Division, and the CTA En Banc (on appeal), both ruled in favor of SMC. On April 1, 2013, the BIR elevated the consolidated cases to the Supreme Court (docketed as G.R. No. 205723).

SMC filed with the CTA by way of petition for review (Third Division and docketed as CTA Case No. 7708), a second claim for refund for overpayments of excise taxes for the period of December 1, 2005 to July 31, 2007 on November 27, 2007, as SMC was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. The CTA Third Division granted SMC's petition for review and ordered the BIR to refund or issue a TCC in favor of SMC. The BIR elevated the decision of the Third Division to the CTA En Banc but its appeal was denied. Subsequently, the BIR filed a petition for review with the Supreme Court (docketed as G.R. No. 205045).

On January 25, 2017, the Supreme Court decided in the consolidated cases of GR Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of P926 for the period December 1, 2005 to July 31, 2007, and P782 for the period February 2, 2004 to November 30, 2005. The Office of the Solicitor General filed motions for reconsideration, which were denied by the Supreme Court with finality on April 19, 2017. On November 12, 2018, after the cases under G.R. Nos. 205045 and 205723 were remanded by the Supreme Court to the CTA, SMC filed a motion for execution in CTA Case Nos. 7052, 7053 and 7405 on the final judgment of the CTA of P782 representing refund of excess taxes erroneously collected by the BIR for the period of February 2, 2004 to November 30, 2005; and another separate motion for execution in CTA Case No. 7708 on the final judgment of P926 for the period of December 1, 2005 to July 31, 2007. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

The BIR issued ITS TCC Trans No. 121-20-00012 and 121-20-00013 amounting to P782 for CTA Case No. 7405 and P926 for CTA Case No. 7708, respectively in favor of SMC on September 8, 2020.

SMC filed its third claim for refund with the CTA (Third Division docketed as CTA Case No. 7953) on July 24, 2009 for overpayments of excise taxes for the period of August 1, 2007 to September 30, 2007. This case was consolidated with CTA Case No. 7973 below.

The BIR issued ITS TCC Trans No. 121-20-00010 amounting to P105 in favor of SMC on August 10, 2020.

ii. Filed by SMB

In the meantime, effective October 1, 2007, SMC spun off its domestic beer business into SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR and in excess of what it believes to be the excise tax rate applicable to it.

SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review on the following dates:

(a) first claim for refund of overpayments for the period from October 1, 2007 to December 31, 2008 - Second Division docketed as CTA Case No. 7973 (September 28, 2009);

(b) second claim for refund of overpayments for the period of January 1, 2009 to December 31, 2009 - First Division docketed as CTA Case No. 8209 (December 28, 2010);

(c) third claim for refund of overpayments for the period of January 1, 2010 to December 31, 2010 - Third Division docketed as CTA Case No. 8400 (December 23, 2011);

(d) fourth claim for refund of overpayments for the period of January 1, 2011 to December 31, 2011 - Second Division docketed as CTA Case No. 8591 (December 21, 2012);

(e) fifth claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);

(f) sixth claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);

(g) seventh claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);

(h) eighth claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);

(i) ninth claim for refund of overpayments for the period of January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);

(j) tenth claim for refund of overpayments for the period of January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);

(k) eleventh claim for refund of overpayments for the period of January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019);

(l) twelfth claim for refund of overpayments for the period of January 1, 2019 to December 31, 2019 - Third Division docketed as CTA Case No. 10421 (December 16, 2020); and

(m) thirteenth claim for refund of overpayments for the period of January 23, 2020 to February 9, 2020 - docketed as CTA Case No. 10745 (via electronic mail on 21 January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022)

CTA Case No. 7973 was consolidated with CTA Case No. 7953 (filed by SMC). For CTA Case No. 7973, the CTA Third Division decided in favor of SMC and SMB and ordered the BIR to refund SMB the amount of P829 and the amount of P105 to SMC. The BIR appealed to the CTA *En Banc* which affirmed the decision of the Third Division. The BIR then elevated the case to the Supreme Court but its petition was denied by the Supreme Court through its September 11, 2017 and December 11, 2017 Resolutions (docketed as GR No. 232404). With the decision in favor of SMC and SMB, both companies, through counsel, on January 23, 2019, moved for the execution of the decision as the records of the case were returned to the CTA. The Writ of Execution was issued on March 18, 2019 by the CTA Special Second Division in the amount of P829. SMB filed an application for the issuance of a TCC with the BIR.

The ITS TCC Trans No. 121-20-00009 was issued by the BIR in favor of SMB on August 10, 2020 in the amount of P829. P809 out of P829 was partially applied to SMB's 2020 tax obligations. The remaining P20 was applied in 2021.

CTA Case No. 8209 was decided in favor of SMB by the CTA First Division, ordering the BIR to refund the amount of P731. The case was not elevated within the prescribed period, thus, the decision became final and executory. The BIR filed a Petition for Relief from Judgment which was denied by the CTA. Separately, the First Division granted SMB's Motion for Execution for the refund of P731, while the BIR filed a Petition for Certiorari before the Supreme Court (docketed as GR No. 221790). The Petition for Certiorari was dismissed by the Supreme Court with finality but the BIR still filed an Urgent Motion for Clarification. Subsequently, SMB received a clarificatory Resolution dated February 20, 2017 wherein the Supreme Court reiterated its grounds for the denial of the BIR's Petition for Certiorari and expunged from the records all pleadings of the BIR filed after its denial of BIR's Petition for Certiorari had become final and executory. SMB filed an application for the issuance of a TCC in the amount of P731. On November 6, 2019, the BIR issued ITS TCC Trans No. 121-19-00010 in favor of SMB which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8400 was decided in favor of SMB by both the CTA Third Division and the CTA *En Banc*. The BIR was ordered to refund to SMB the amount of P699. The BIR elevated the case to the Supreme Court but the Supreme Court denied the BIR's petition through its March 20, 2017 Resolution. The BIR moved for reconsideration but the same was similarly denied by the Supreme Court through its July 24, 2017 Resolution. With the decision in favor of SMB, SMB, moved for the execution of the decision on January 23, 2019 as the records of the case were already returned to the CTA. On May 30, 2019, CTA Special Third Division issued a Writ of Execution in the amount of P699 in favor of SMB. SMB filed an application for TCC issuance. The BIR issued ITS TCC Trans No. 121-19-00009 in favor of SMB on November 13, 2019 which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8591 was decided in favor of SMB by the CTA Second Division and CTA *En Banc*. The BIR was ordered to refund to SMB the amount of P740. The BIR elevated the case to the Supreme Court by way of petition for review (docketed as GR No. 232776), where it was denied on February 21, 2018. The BIR filed a Motion for Reconsideration, which was denied with finality on July 23, 2018. SMB filed a motion for the execution of the decision with the CTA Second Division. The CTA Second Division issued a Writ of Execution in the amount of P740 on November 13, 2019. SMB filed an application for TCC with the BIR in January 2020 which was issued on August 10, 2020. The said ITS TCC Trans No. 121-20-00008 with an amount of P740 has been fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8748 was decided in favor of SMB by the CTA Second Division, ordering the BIR to refund to SMB the amount of P761. The BIR appealed the decision to the CTA *En Banc* by way of a Petition for Review, which was denied on October 11, 2018. A Motion for Reconsideration was filed by the BIR on November 5, 2018 (docketed as CTA EB Case No. 1730) to which SMB filed an opposition. The CTA *En Banc* denied BIR's Motion for Reconsideration. Thus, the BIR filed a Petition for Review with the Supreme Court in June 2019. The Supreme Court issued a Resolution dated January 27, 2021 denying the BIR's Petition for Review for failure to show any reversible error warranting the exercise by the Supreme Court of its discretionary appellate jurisdiction. SMB is awaiting the issuance of the corresponding Entry of Judgment.

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the Regional Trial Court rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA *En Banc* by way of a Petition for Review. On September 19, 2018, the CTA *En Banc* reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA *En Banc* in a resolution dated January 24, 2019. The BIR sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738. After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated. The records have been remanded and the case is now pending with the CTA Third Division.

CTA Case No. 9223, SMB's claim for refund for P60, was partially decided in favor of SMB by the CTA Third Division. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 21, 2022, the CTA *En Banc* rendered a Decision denying the separate Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258812.

CTA Case No. 9513, SMB's claim for refund for P48, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 4, 2021, the CTA *En Banc* affirmed the decision of CTA Second Division. Both parties filed for a motion for reconsideration on the CTA *En Banc*'s Decision. In its October 22, 2021 Resolution, the CTA *En Banc* denied the parties' motions for reconsideration. On December 16, 2021, SMB file a Petition for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784.

CTA Case No. 9743, SMB's claim for refund for P30, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petition for Review with the CTA *En Banc*. On February 10, 2022, the CTA *En Banc* rendered a Decision denying the Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258813.

CTA Case No. 10000, SMB's claim for refund for P123, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of P123. The BIR filed for a motion for reconsideration.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA First Division.

CTA Case No. 10421, SMB's claim for refund for P162, was filed on December 16, 2020. SMB filed a Motion to Withdraw the Petition for Review as the BIR issued a TCC in the amount of P162. In its November 29, 2021 Resolution, the CTA granted SMB's Motion to Withdraw the Petition and deemed the Petition as withdrawn and the case closed and terminated. P80 was applied to SMB's tax obligations in 2021.

CTA Case No. 10745, SMB's claim for refund for P1,069, was personally filed on February 2, 2022. The case is yet to be raffled to a Division of the CTA. The case is a consolidation of two claims, to wit:

i. P8 under RA No. 10351 -the overpayment arose from the BIR's imposition of excise tax of P27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on RMC No. 90-2012 and RR No. 17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of P26.44 per liter under Section 143 of the NIRC, as amended by RA No. 10351 beginning January 1, 2020.

ii. P1,061 under RA No. 11467 -the overpayment arose from the BIR's imposition of excise tax of P35.00 per liter on SMB's beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

An administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of P8 was filed with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of P8.

iii. Filed by GSMI

GSMI filed two claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review as follows:

(a) CTA Case Nos. 8953 and 8954: These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, The CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the Commissioner of Internal Revenue filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P320 out of its original claim of P715.

GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

On January 4, 2022, GSMI elevated to the CTA *En Banc* the Decision dated 28 July 2020, Amended Decision dated February 1, 2021, and Resolution dated October 28, 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA E.B. No. 2555.

Earlier, the CIR also filed a Petition for Review with the CTA *En Banc* elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division.

(b) CTA Case No. 9059: This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said Decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA *En Banc* by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA *En Banc* denied the Petition for Review filed by GSMI. The Decision dated 6 February 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 16, 2021, GSMI elevated the Decision of the CTA *En Banc* to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 25839.

- Pending Tax Cases

i. IBI

a. The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the CTA First Division. On August 14, 2015, the CTA First Division partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA *En Banc* and the case was docketed as CTA EB Case No. 1417. To interrupt the running of interests, IBI filed a Motion to Pay without Prejudice, which was granted by the CTA *En Banc*. As a result, IBI paid the amount of P270 on August 26, 2016. On January 30, 2018, the CTA *En Banc* rendered a decision affirming the decision of the CTA First Division. IBI filed a Motion for Partial Reconsideration and the BIR filed its Motion for Reconsideration, which were denied by CTA *En Banc* in a resolution dated July 16, 2018. IBI and the BIR elevated the case to the Supreme Court with IBI filing its Petition for Review on September 7, 2018 docketed as G.R.Nos. 241147-48 and was raffled to the First Division of the Supreme Court. On the other hand, the BIR's Petition was docketed as G.R. nos. 240651 and 240665 and was raffled to the Second Division of the Supreme Court.

On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019. IBI's Petition was denied with finality on June 26, 2019.

On March 11, 2019, the Supreme Court issued a Resolution requiring IBI to file its comment to the BIR's Petition. IBI filed its Comment on June 17, 2019.

On December 16, 2019, IBI and the BIR executed a Compromise Agreement. The BIR recognized the total payment of IBI in the amount of P285 as full satisfaction of the latter's supposed tax liability for taxable year 2009. The BIR further acknowledged that IBI no longer has any tax liability based upon, arising from, or in connection with CTA Case No. 8607.

On July 6, 2021, the Supreme Court approved the Compromise Agreement and considered G.R. Nos. 240651 and 240665 closed and terminated.

b. On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA Third Division and the case was docketed as CTA Case No. 8813. The CTA Third Division held IBI liable to pay deficiency income tax, interests and penalties. IBI thus filed its Petition for Review before the CTA *En Banc* (docketed as CTA Case EB No. 1563 and 1564). In 2017, IBI filed an application for abatement, with corresponding payment of basic tax, in the amount of P110, where IBI requested for the cancellation of the surcharge and interests. On September 19, 2018, the CTA *En Banc* did not consider the payment of basic deficiency tax of P110 for failure to attach certain requirements relating to the application for abatement; thus, IBI was ordered to pay a modified amount of P501 in light of the TRAIN Law amendments on interest. IBI filed a Motion for Reconsideration and, at the same time, submitted the original documents in relation to the application for abatement. The BIR also filed its Motion for Partial Reconsideration, to which IBI filed its Comment/Opposition. The CTA *En Banc* has likewise ordered the BIR to file its Comment/Opposition to IBI's Motion for Reconsideration but IBI has yet to receive the same. Meanwhile, IBI's application for abatement remains pending for resolution by the BIR.

   Noting the BIR's failure to file its Comment/Opposition, the Court issued a Resolution dated April 17, 2019, which IBI received on May 9, 2019, denying the BIR's Motion for Partial Reconsideration of the CTA En Banc Decision promulgated on September 18, 2018 and partially granting the Motion for Reconsideration filed by IBI of the said CTA En Banc Decision.

   IBI and the BIR filed their respective Petitions for Review with the Supreme Court docketed as G.R. Nos. 246911-12 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

   On December 27, 2019 IBI filed a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle IBI's deficiency taxes for taxable year 2010. In its Manifestation dated February 26, 2020, the BIR confirmed receipt of payment pursuant to the Compromise Agreement executed between the IBI and the BIR.

   On September 2, 2020, the Supreme Court issued a Resolution requiring IBI and the BIR to manifest whether they consider the case closed and terminated. In compliance, IBI filed its manifestation on September 14, 2020. On December 3, 2020, IBI received a Manifestation filed by the BIR manifesting that in view of its receipt of certified true copy of Certificate of Availment (Compromise Settlement), the BIR considers the cases as closed.

On March 3, 2021, the Supreme Court considered GR Nos. 246911-12 and 246865, closed and terminated.

c. On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax and miscellaneous tax deficiencies with administrative penalties. IBI addressed the assessment of each tax type with factual and legal bases in a Protest filed within the reglementary period. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657. In the meantime, an application for abatement was submitted to the BIR in August 2017. Both the Petition for Review and the application for abatement remain pending at the CTA Third Division and the BIR, respectively, with IBI submitting its Formal Offer of Evidence in October 2018 to the CTA Third Division. The Petition for Review, however, was subsequently transferred from the CTA Third Division to the First Division pursuant to CTA Administrative Circular No. 02-2018 dated September 18, 2018, reorganizing the three (3) Divisions of the Court.

   On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, documentary stamp tax and compromise penalty were cancelled and set aside. However, the assessment for deficiency expanded withholding tax was affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

   On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc.* On January 25, 2021, IBI filed its Comment to the Petition for Review.

   The CTA *En Banc* promulgated a Resolution on February 4, 2021 noting IBI's Comment to the Petition for Review, and referring the case for mediation in the Philippine Mediation Center - Court of Tax Appeals.

ii. SMFI

(a) SMFI (as the surviving corporation in a merger involving Monterey Foods Corporation [MFC]) vs. Commissioner of Internal Revenue (CIR) CTA Case 9046.

   In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, a Final Decision on Disputed Assessment (FDDA) was issued by the BIR on January 14, 2015 upholding the deficiency income tax, VAT and documentary stamp tax (DST) assessments against SMFI.

   SMFI filed a Request for Reconsideration which the CIR denied prompting SMFI to file a Petition for Review with the CTA, docketed as CTA Case No. 9046.

The CTA First Division granted the Petition for Review filed by SMFI based on the following grounds: (1) the Formal Letter of Demand/Final Assessment Notice issued by the BIR was void as it did not contain demand to pay taxes due within a specific period; and (2) lack of valid Letter of Authority. Accordingly, the Formal Letter of Demand/Final Assessment Notice issued against SMFI for deficiency income tax, VAT and DST for the period January 1 to August 31, 2010 and the FDDA, for being intrinsically void, were ordered cancelled.

The BIR filed a Motion for Reconsideration with the CTA First Division, which was denied.

The BIR then filed a Petition for Review before the CTA *En Banc*, which was also denied.

The CTA En Banc likewise denied the Motion for Reconsideration filed by the BIR.

The BIR then filed a Petition for Review on Certiorari with the Supreme Court.

While the Petition was pending, the BIR issued a Warrant of Distraint and/or Levy (WDL) against SMFI (as the surviving corporation). SMFI requested BIR for the lifting and cancellation of the WDL and filed an Urgent Omnibus Motion with the CTA to suspend collection of taxes and declare the WDL null and void.

To put an end to a protracted, expensive, and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a Judicial Compromise Agreement (JCA), which the SC approved on June 28, 2021. The SC further ruled that the case should be considered closed and terminated.

(b) SMFI vs. CIR CTA Case No. 9241

On December 16, 2015, an FDDA was issued by the BIR assessing deficiency income tax and VAT against SMFI in connection to the tax investigation for the period January 1 to December 31, 2010.

The deficiency income tax and VAT pertain to the disallowed NOLCO and input tax credits which were transferred to and vested in SMFI from MFC by operation of law as a result of the merger between SMFI and MFC. According to the BIR, as the ruling (BIR Ruling 424-14 dated October 24, 2014) issued in connection to the merger of SMFI and MFC did not contain an opinion on the assets and liabilities transferred during the merger, the NOLCO and input tax credits from MFC were disallowed. However, it is SMFI's position that the use of the NOLCO and input tax credit from MFC, as the surviving corporation pursuant to a statutory merger is proper, as the same is allowed by law, BIR issuances and confirmed by several BIR rulings prevailing at the time of the transaction.

SMFI filed a Petition for Review before the CTA, docketed as CTA Case No. 9241.

The CTA Third Division rendered a decision granting the SMFI's Petition for Review and cancelling the deficiency income tax and VAT assessment issued by the BIR. The BIR then filed a Motion for Reconsideration which was denied.

Despite the finality of the Decision, the BIR issued a WDL against SMFI. SMFI requested BIR for the lifting and cancellation of the WDL.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a JCA, which was approved by the CTA Third Division.

The CTA Third Division also declared the WDL null and void and ordered it to be cancelled and withdrawn.

(c) SMFI vs. Office of the City Treasurer, City of Davao

SMFI filed several protests against the assessments issued by the City Treasurer of Davao City imposing permit fees to slaughter against its poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

Following the dismissal of the appeals filed by SMFI with the Davao Regional Trial Courts (RTC), the following Petitions for Review were filed with the CTA:

- CTA Case AC No. 209, filed on August 23, 2018
- CTA Case AC No. 210, filed on November 12, 2018
- CTA Case AC No. 249, filed on February 26, 2021

It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses are beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

The CTA First Division dismissed the Petition docketed as CTA Case AC No. 209. SMFI's Motion for Reconsideration was denied. A Petition for Review was then filed with the CTA En Banc, which is pending resolution to date.

The CTA First Division also dismissed the Petition docketed as CTA Case AC No. 210. SMFI's Motion for Reconsideration was likewise denied. The SMFI's Petition for Review with the CTA En Banc is pending resolution.

The last Petition for Review docketed as AC No. 249 is still pending resolution.

- Intellectual Property Cases Pending with the Supreme Court (SC)

  i. G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

     When the Court of Appeals (CA) affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC En Banc. The SC denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the SC En Banc.

     Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of "League of Cities vs. Commission of Elections" (G.R. Nos. 176951, 177499 and 178056) to invite the SC En Banc to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

     On June 26, 2018, the SC En Banc Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

     Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

     On January 4, 2019, the SC Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R. Nos. 216104, 210224 and 219632) with the En Banc case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of [TDI] and [GSMI] before the [IPO]."

     On February 3, 2020, GSMI filed a Manifestation with the SC Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the SC *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court En Banc. Furthermore, the SC *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

ii. G. R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 27 January 2020, it received a copy of a Decision dated 27 December 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated 3 February 2020 on the IPO Director General's Decision dated 27 December 2019.

iii. G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 27 January 2020, it received a copy of a Decision dated 27 December 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

(c) Commitments

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

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

(d) Foreign Exchange Rates

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

(e) Effect of COVID-19 Business Operations

2021 was a year of economic recovery which saw business operations once again opening up, while the challenges of COVID-19 still remained throughout the year. Commercial activities have started to pick up as COVID-19 quarantine restrictions were relatively lighter compared to 2020.

The Group delivered robust financial results, demonstrating resilience in the face of challenges brought about by the ongoing pandemic, posting 40% growth in consolidated net income, inching forward to 2019 pre-pandemic level. These solid results were supported by consistent volume recovery throughout the year.

37. Events After the Reporting Date

(a) Absolute Sale Agreement

On January 3, 2022, SMFI, PHC and SMMI entered into an Absolute Sale agreement with San Miguel Integrated Logistics Services, Inc. amounting to P1,927 for the purchase of identified assets used in logistics operations subject to certain conditions.

(b) Declaration of Cash Dividends

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

(c) Russia-Ukraine Conflict

The ongoing conflict between Russia and Ukraine has no direct effect to the Group. However, based on recent events and market sentiments, oil prices are expected to be high during the crisis and in the event of a protracted conflict, oil supply could become tight.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as at and for the year ended December 31, 2021 have not been adjusted.

The extent to which the ongoing conflict will affect the Group will depend on future developments, including the actions and decisions taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 9, 2022.

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Food and Beverage, Inc. (the Company) and Subsidiaries (the Group), as at and for the years ended December 31, 2021 and 2020, on which we have rendered our report dated March 18, 2022.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-E

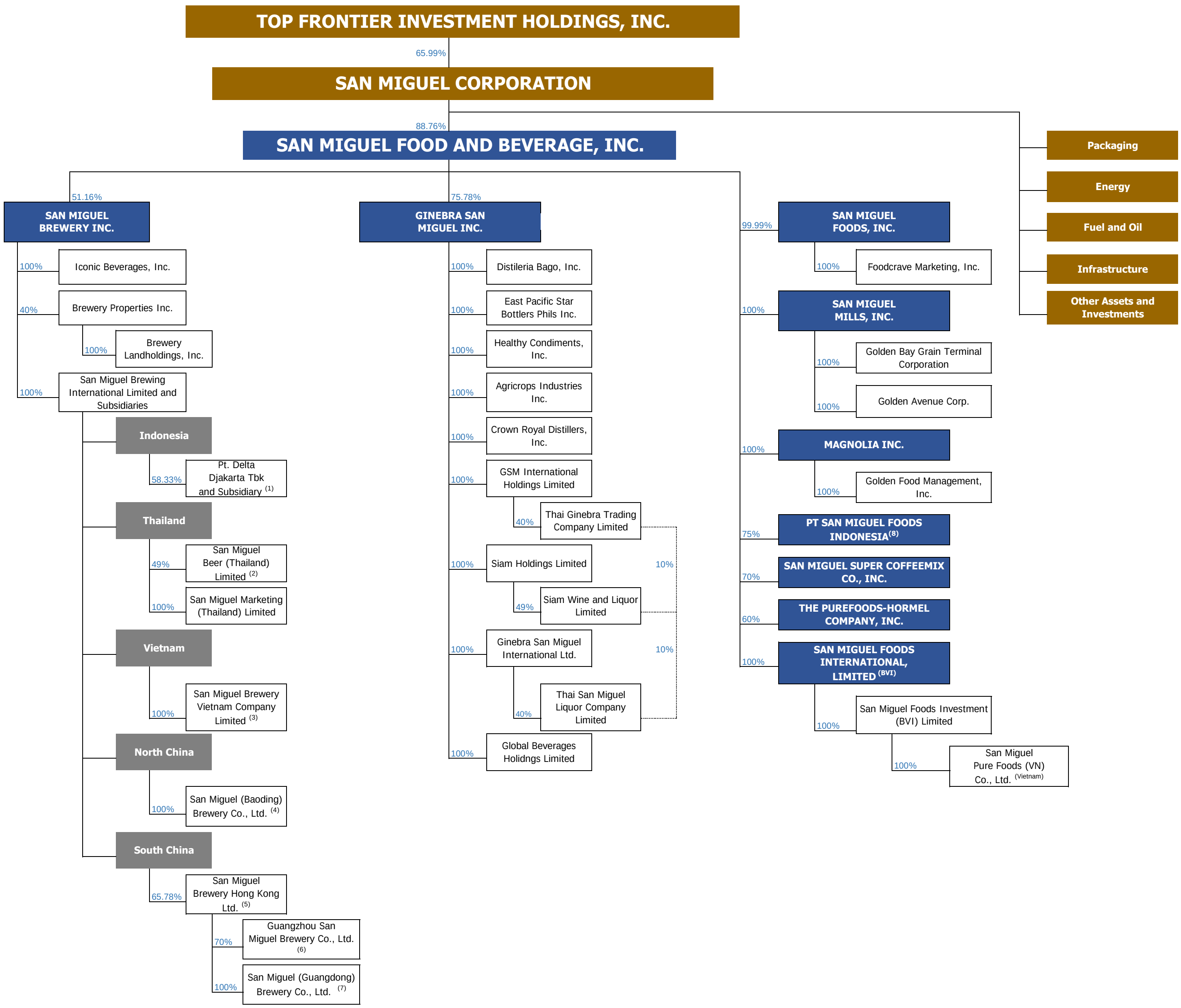
This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

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

March 18, 2022
Makati City, Metro Manila

SAN MIGUEL FOOD AND BEVERAGE, INC.
MAP OF THE CONGLOMERATE
DECEMBER 31, 2021



The structure includes the ultimate parent company, Top Frontier Investment Holdings, Inc. and the intermediate parent company, San Miguel Corporation with its major subsidiaries, associates and joint ventures.

I. San Miguel Food and Beverage, Inc.

1. *Owned thru San Miguel Malaysia (L) Pte. Ltd.*
2. *Owned thru San Miguel Holdings (Thailand) Limited*
3. *Owned thru Dragon Island Investments Limited and San Miguel (Vietnam) Limited*
4. *Owned thru San Miguel Brewing International Limited (BVI) and San Miguel (China) Investment Company Limited. The company has ceased operations and is in the process of liquidation as of December 31, 2020.*
5. *Owned thru Neptunia Corporation Limited*
6. *Owned thru San Miguel (Guangdong) Limited (93%). The company has ceased operations and is in the process of liquidation as of December 31, 2020.*
7. *Owned thru San Miguel Shunde Holdings Limited (92%)*
8. *The company has ceased operations and is in the process of liquidation as of December 31, 2021*

II. Co-Subsidiaries

9. *Packaging includes San Miguel Yamamura Packaging Corporation and subsidiaries, Mindanao Corrugated Fibreboard, Inc., and San Miguel Yamamura Packaging International Limited and subsidiaries.*
10. *Energy includes SMC Global Power Holdings Corp., its associate, Mariveles Power Generation Corporation, and subsidiaries, including San Miguel Energy Corporation and subsidiaries, South Premiere Power Corp., Strategic Power Devt. Corp., SMC Consolidated Power Corporation, San Miguel Consolidated Power Corporation, San Miguel Electric Corp., SMCGP Masin Pte. Ltd. and subsidiaries, SMCGP Philippines Inc., SMCGP Transpower Pte. Ltd., and PowerOne Ventures Energy Inc. and its joint ventures, Angat Hydropower Corporation and KWPP Holdings Corporation.*
11. *Fuel and Oil includes SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries, including Petron Freeport Corporation, Petrogen Insurance Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Petron Singapore Trading Pte., Ltd., and Petron Oil & Gas International Sdn. Bhd. and subsidiaries Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia).*
12. *Infrastructure includes San Miguel Holdings Corp. and subsidiaries, including Vertex Tollways Devt. Inc., Manila North Harbour Port, Inc., Trans Aire Development Holdings Corp., SMC Tplex Corporation, Universal LRT Corporation (BVI) Limited, Atlantic Aurum Investments BV and subsidiaries, Cypress Tree Capital Investments, Inc. and subsidiaries, and Luzon Clean Water Development Corporation.*
13. *Other Assets and Investments include San Miguel Properties, Inc. and subsidiaries and associate, Bank of Commerce, SMC Shipping and Lighterage Corporation and subsidiaries, San Miguel Equity Investments Inc. and subsidiaries, including Northern Cement Corporation and San Miguel Northern Cement Inc., and SMC Asia Car Distributors Corp.*

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
AS OF DECEMBER 31, 2021
(In Millions)

Type of Receivable:	Total	Current	1-30 days	31-60 days	61-90 days	Over 90 days
A. Trade	**P20,569**	**P15,632**	**P3,512**	**P522**	**P67**	**P836**
Less: Allowance	**(439)**	**(81)**	**(9)**	**(2)**	**(1)**	**(346)**
Net Trade Receivable	**P20,130**	**P15,551**	**P3,503**	**P520**	**P66**	**P490**
B. Non-Trade	**P3,673**	**P1,611**	**P266**	**P117**	**P151**	**P1,528**
Less: Allowance	**(946)**	**(102)**	**(3)**	**(2)**	**(4)**	**(835)**
Net Non-Trade Receivable	**P2,727**	**P1,509**	**P263**	**P115**	**P147**	**P693**
Net Receivables	**P22,857**	**P17,060**	**P3,766**	**P635**	**P213**	**P1,183**

ANNEX "B-1"

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2021

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SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2021

(Amounts in Millions, except Number of Shares Data)

Name of Issuing Entity/ Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2021	Income (Loss) Received and Accrued
Cash and cash equivalents		P41,581	P41,581	P465
Trade and other receivables - net		22,857	22,857	3
Derivative assets		23	23	(509)
Financial Assets at Fair Value Through Other Comprehensive Income	41,064	5,157	5,157	126
Noncurrent receivables and deposits - net		198	198	-
	41,064	**P69,816**	**P69,816**	**P85**

*This represents net marked-to-market losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as at year-end.

See Notes 33 and 34 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

ATTACHMENT TO SCHEDULE A's FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2021
(Amounts in Millions, except Number of Shares Data)

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Valued Based on Market Quotation at December 31, 2021
San Miguel Food and Beverage Inc.		
Club Filipino	1	P -
Makati Sports Club, Inc.	1	1
Philippine Long Distance Telephone Company	325	1
Valle Verde Country Club, Inc.	1	1
Manila Electric Company	14,895	-
San Miguel Foods, Inc.		
Club Filipino	1	-
Manila Southwoods Golf & Country Club	1	2
Orchard Golf & Country Club	1	1
Philippine Long Distance Tel. Co.	5,428	-
Sta. Elena Golf & Country Club	1	6
Tagaytay Highland Golf and Country Club	1	1
Makati Sports Club, Inc.	1	1
Royal Tagaytay Country Club	1	-
Magnolia, Inc.		
Alabang Country Club, Inc.	1	6
The Purefoods-Hormel Company, Inc.		
Capitol Hills Golf and Country Club, Inc.	1	-
San Miguel Corporation	-	5,100
Neptunia Corporation		
HSBC Holdings	20,400	6
San Miguel Brewery Hong Kong		
The Pacific Club Kowloon	1	7
The American Club Hong Kong	1	9
Hong Kong Football Club	1	7
Discovery Bay Golf Club	1	8
Total Financial Assets at Fair Value Through Other Comprehensive Income	**41,064**	**P5,157**

See Note 12 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Foods, Inc.	P63	P156	(P186)	P -	P33	P33	P -	P33
The Purefoods-Hormel Company, Inc.	2	2	(2)	-	2	2	-	2
San Miguel Mills, Inc.	1	1	(1)	-	1	1	-	1
Magnolia, Inc.	1	1	(1)	-	1	1	-	1
San Miguel Brewery, Inc. and Subsidiaries	26	18	(27)	-	17	17	-	17
Ginebra San Miguel, Inc. and Subsidiaries	6	14	(14)	-	6	6	-	6
	P99	**P192**	**(P231)**	**P -**	**P60**	**P60**	**P -**	**P60**

SAN MIGUEL FOOD AND BEVERAGE, INC.AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS	AMOUNTS PAID/DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Foods, Inc.	P13	P5	(P12)	P -	P6	P6	P -	P6
The Purefoods-Hormel Company, Inc.	6	5	(6)	-	5	5	-	5
San Miguel Super Coffeemix Co., Inc.	2	3	(3)	-	2	2	-	2
San Miguel Mills, Inc.	-	2	(2)	-	-	-	-	-
Magnolia, Inc.	4	4	(4)	-	4	4	-	4
San Miguel Brewery, Inc. and Subsidiaries	62	8	(37)	-	33	33	-	33
Ginebra San Miguel, Inc. and Subsidiaries	12	15	(17)	-	10	10	-	10
	P99	**P42**	**(P81)**	**P -**	**P60**	**P60**	**P -**	**P60**

SAN MIGUEL FOOD AND BEVERAGE, INC.AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2021
(Amounts in Millions)

Part A - Goodwill and Other Intangible Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve	Ending Balance
Cost						
Trademarks and brand names	37,505	-	(45)	-	113	37,573
Licenses	2,106	-	-	-	(95)	2,011
Computer software and licenses	1,281	48	29	-	6	1,364
Goodwill	996	-	-	-	-	996
Formulas and recipes and franchise	65	-	-	-	-	65
	41,953	48	(16)	-	24	42,009
Accumulated Amortization						
Computer software and licenses	1,192	-	(25)	54	6	1,227
	1,192	-	(25)	54	6	1,227
Accumulated Impairment Losses						
Trademarks and brand names	221	-	-	386	13	620
Computer software and licenses	6	-	-	-	-	6
	227	-	-	386	13	626
Carrying Amount	**P40,534**	**48**	**9**	**(440)**	**5**	**P40,156**

See Note 16 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2021
(Amounts in Millions)

Part B - Other Noncurrent Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve/ Fair Value Reserve	Ending Balance
Costs						
Deferred containers	P41,510	4,154	(1,532)	-	89	P44,221
Noncurrent receivables and deposits	268	5	(33)	(42)	-	198
Noncurrent prepaid input tax	329	-	(144)	-	-	185
Pallets and crates	684	230	34	(354)	1	595
Idle assets	2,678	-	295	-	121	3,094
Noncurrent prepaid rent	116	-	38	-	-	154
Others - net	2,759	1,077	(1,264)	-	-	2,572
	48,344	5,466	(2,606)	(396)	211	51,019
Accumulated Amortization						
Deferred containers	15,417	3,006	(787)	-	31	17,667
Idle Assets	1,474	14	188	-	94	1,770
	16,891	3,020	(599)	-	125	19,437
Accumulated Impairment:						
Deferred containers	735	738	(737)	-	1	737
Noncurrent receivables and deposits	42	-	(42)	-	-	-
Idle assets	435	-	-	-	27	462
	1,212	738	(779)	-	28	1,199
Other Noncurrent Assets - net	**P30,241**	**1,708**	**(1,228)**	**(396)**	**58**	**P30,383**

See Note 17 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

SCHEDULE E – Long Term Debt
DECEMBER 31, 2021
(Amounts in Millions)

Title of Issue	Agent/Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Non-current Portion of Debt	Non-current Transaction Costs	Amount Shown as Non-current	Current and Long term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Fixed	Philippine Depository and Trust Corp.	P7,000	P7,000	(P2)	P6,998	P -	(P -)	P -	P6,998	6.60%	Bullet	Semi-Annual	April 2, 2022
Fixed	Philippine Depository and Trust Corp.	2,538	-	-	-	2,538	(7)	2,531	2,531	6.0%	Bullet	Semi-Annual	April 2, 2024
Fixed	Bank of the Philippine Island	10,000	-	-	-	10,000	(47)	9,953	9,953	4.63%	Bullet	Quarterly	December 26, 2024
Fixed	BDO Unibank Inc.	2,000	-	-	-	2,000	(14)	1,986	1,986	3.95%	Bullet	Quarterly	March 30, 2026
Fixed	China Banking Corporation	1,500	-	-	-	1,500	(10)	1,490	1,490	3.95%	Bullet	Quarterly	March 30, 2026
Fixed	Rizal Commercial Banking Corporation	2,484	21	(4)	17	2,463	(12)	2,451	2,468	3.875%	Amortized	Quarterly	March 30, 2026
Fixed	Bank of the Philippine Island	2,000	-	-	-	2,000	(13)	1,987	1,987	4.15%	Bullet	Quarterly	March 30, 2028
Fixed	BDO Unibank Inc.	4,000	-	-	-	4,000	(25)	3,975	3,975	3.80%	Bullet	Quarterly	March 30, 2026
Fixed	Security Bank Corporation	330	166	(1)	165	166	(1)	165	330	Based on the relevant Peso benchmark rate BVAL rate plus credit spread of 170 bps with a floor rate of 4.0%. The peso benchmark rate shall equal to the 3-day business day simple average of the applicable treasury securities, i.e. 3-year BVAL as displayed on Bloomberg.	Six (6) equal semi-annual installments, to commence six (6) months from initial Drawdown Date	Quarterly	December 28, 2023
Fixed	RCBC Trust and Investments Division	8,000	-	-	-	P8,000	(69)	7,931	7,931	5.05%	Bullet	Quarterly	March 10, 2025
Fixed	RCBC Trust and Investments Division	7,000	-	-	-	P7,000	(71)	6,929	6,929	5.25%	Bullet	Quarterly	March 10, 2027
Fixed	Bank of the Philippine Island	2,000	-	-	-	2,000	(11)	1,989	1,989	3.2837%	28 Quarters	Quarterly	December 18, 2026
Fixed	Bank of the Philippine Island	10,000	-	-	-	10,000	(62)	9,938	9,938	3.5483%	28 Quarters	Quarterly	December 12, 2029

Title of Issue	Agent/Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Non-current Portion of Debt	Non-current Transaction Costs	Amount Shown as Non-current	Current and Long term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Floating	Bank of the Philippine Island	8,000	-	-	-	8,000	(50)	7,950	7,950	3-month BVAL plus 0.75% spread or BSP 28-Day TDF rate plus 0.375%, whichever is higher.	28 Quarters	Quarterly	December 12, 2029
Fixed	BDO Unibank, Inc.	5,000	-	-	-	5,000	(36)	4,964	4,964	3.8460%	Buillet	Quarterly	September 30, 2026
Fixed	Bank of the Philippine Island	2,000	-	-	-	2,000	(14)	1,986	1,986	3.8460%	Bullet	Quarterly	September 30, 2026
		P73,852	**P7,187**	**(P7)**	**P7,180**	**P66,667**	**(P442)**	**P66,225**	**P73,405**				

See Note 20 of the Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2021

Description	Number of Shares Authorized	Number of Shares Issued	Share Swap Transaction	Stock Split	Treasury Shares	Shares Issued and Outstanding	Number of Shares Held: Related Party	Number of Shares Held: Directors and Officers	Number of Shares Held: Others
Common Shares	11,600,000,000	170,874,854	4,242,549,130	1,537,873,686	42,077,580	5,909,220,090	5,245,082,440	150	664,137,500
Preferred Shares	40,000,000	30,000,000	-	-	30,000,000	-	-	-	-
Total	11,640,000,000	200,874,854	4,242,549,130	1,537,873,686	72,077,580	5,909,220,090	5,245,082,440	150	664,137,500

See Note 21 of the Notes to the Consolidated Financial Statements.

KPMG

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Food and Beverage, Inc. (the Company) as at and for the years ended December 31, 2021 and 2020, on which we have rendered our report dated March 18, 2022.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

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

March 18, 2022
Makati City, Metro Manila

ANNEX "B-2"

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2021

(Amounts in Thousands)

SAN MIGUEL FOOD AND BEVERAGE, INC.

(A Subsidiary of San Miguel Corporation)

100 E. Rodriguez Jr. Avenue (C5 Road), Ugong, Pasig City

Unappropriated Retained Earnings, January 1, 2021		**P1,539,761**
Adjustments:		
Accumulated impairment loss on investment in a subsidiary	P942,150	
Treasury common stock	(182,094)	
Deferred tax asset	(3,471)	
Unrealized foreign exchange gain - net	(73)	**756,512**
Retained Earnings, beginning as adjusted		**2,296,273**
Add: Net income actually earned/Non-actual losses		
Net income during the period closed to retained earnings	9,953,325	
Impairment loss on Trademark	386,000	
Less: Non-actual income		
Unrealized foreign exchange gain-net	(477)	
Benefit from income tax deferred	(105,418)	
Net Income Actual/Realized		**12,529,703**
Less: Dividend declaration during the year		**(10,045,674)**
Retained Earnings, December 31, 2021		**P2,484,029**

ANNEX "B-3"

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Food and Beverage, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated March 18, 2022.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

R.G. MANABAT & CO.

JOSE P. JAVIER, JR.
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March 18, 2022
Makati City, Metro Manila

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
100 E. Rodriguez Jr. Avenue (C5 Road), Ugong Pasig City

FINANCIAL SOUNDNESS INDICATORS

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

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

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

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

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

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

ANNEX "C"

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
FOOD AND BEVERAGE BUSINESS							
1	**SAN MIGUEL BREWERY, INC.**						
	A. DOMESTIC						
	Production Facilities						
	Polo	Marulas, Valenzuela City, Metro Manila	Owned	Good			
	San Fernando	Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
	Sta. Rosa	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Building & Facilities-Owned; Land-Rented	Good	P1,628,369.60 subj. to escalation	June 30, 2030	With Option to buy the lot; Rented from Lucky Nine Properties Inc.
					P1,405,006.20 subj. to escalation	November 30, 2030	
					P1,274,917.41 subj. to escalation	August 31, 2038	
	Bacolod	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
	Mandaue	National Highway, Brgy.Tipolo, Mandaue City	Owned	Good			
	Davao	Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Cagayan de Oro	Sta. Ana, Tagoloan, Misamis Oriental	Building & Facilities-Owned; Land-Rented	Good	1,230,428.97	March 25, 2028	The lease may be renewed for a period of 25 years upon such terms and conditions mutually agreed upon by the parties
	Sales/Area Offices and Warehouses						
	Central North Luzon Area	SMC Complex, Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
	Central North Luzon Area	Carmen East, Rosales, Pangasinan	Owned	Good			
	Central North Luzon Area	Caranglaan Dist., Dagupan City, Pangasinan	Owned	Good			
	Central North Luzon Area	Naguilian Road, San Carlos Heights, Brgy. Irisan, Baguio City, Benguet	Owned	Good			
	Central North Luzon Area	Pennsylvania Ave., Brgy. Madayegdeg, San Fernando, La Union	Owned	Good			
	Central North Luzon Area	Brgy. San. Fermin, Cauayan, Isabela	Owned	Good			
	Central North Luzon Area	National Road, Brgy. Mabini, Santiago City, Isabela	Owned	Good			
	Central North Luzon Area	San Andres St., San Angelo Subdivision, Sto. Domingo, Angeles City, Pampanga	Owned	Good			
	Central North Luzon Area	Brgy. 22, San Guillermo, San Nicolas, Ilocos Norte	Owned	Good			
	Central North Luzon Area	Brgy. Tablac, Candon City, Ilocos Sur	Owned	Good			
	Central North Luzon Area	Maharlika Highway, Brgy. Sta Maria, Lal-lo, Cagayan	Owned	Good			
	Central North Luzon Area	Cagayan Valley Rd., Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good			
	Central North Luzon Area	Gapan-Olongapo Rd., Poblacion San Isidro, Nueva Ecija	Owned	Good			
	Central North Luzon Area	Cabanatuan S.O. - No. 140 Duran Compound, Maharlika Highway, Brgy. Bitas, Cabanatuan City	Land & Building-Rented	Good	91,957.13	January 31, 2025	Renewable upon mutual agreement of both parties.
	Central North Luzon Area	Region Office - #578 P. Burgos St. Cabanatuan City, Nueva Ecija	Land & Building-Rented	Good	43,515.12	May 31, 2024	Renewable upon mutual agreement of both parties
	Central North Luzon Area	Barangay Sta. Rita, Guiguinto, Bulacan	Warehouse Parking space - rented	Good	349,025.00	May 31, 2024	Renewable upon mutual agreement of both parties
	Greater Manila Area North	A. Cruz St., Brgy. 96, Caloocan City	Owned	Good			
	Greater Manila Area North	Honorio Lopez Blvd., Guidote St., Tondo, Manila	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Greater Manila Area North	Brgy. Mangga, Cubao , Quezon City	Owned	Good			
	Greater Manila Area North	portion of Tondo S.O. - Buendia cor. Guidote St., Tondo Manila	Owned	Good			
	Greater Manila Area North	Valenzuela S.O. - Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land, Warehouse and Open Space-Rented	Good	343,513.45	April 30, 2022	Renewable upon mutual agreement of both parties
	Greater Manila Area North	Valenzuela S.O. - Bldg. 25 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land, Warehouse and Open Space-Rented	Good	82,605.00	March 31, 2022	Renewable upon mutual agreement of both parties
	Greater Manila Area North	Novaliches S.O. - Quirino Highway, Brgy. Kaligayahan, Novaliches, Quezon City, Metro Manila	Owned	Good			
	Greater Manila Area North	Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City	Warehouse, covered space and open space - Rented	Good	780,995.00	August 31, 2022	Renewable upon mutual agreement of both parties
	Greater Manila Area North	Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City	Warehouse-Rented	Good	252,510.00	November 30, 2023	Renewable upon mutual agreement of both parties
	Greater Manila Area North	685 Tandang Sora Ave., Quezon City	Warehouse-Rented	Good	148,214.29	May 30, 2022	The Contract is subject to renewal or extension under such terms and conditions as may be mutually agreed upon between the parties in writing.
	Greater Manila Area South	Brgy. 425, Zone 43, Sampaloc District, Manila	Owned	Good			
	Greater Manila Area South	M. Carreon St., Brgy. 864, Sta. Ana District, Manila	Owned	Good			
	Greater Manila Area South	Manila East Rd., Brgy. Dolores, Taytay, Rizal	Owned	Good			
	Greater Manila Area South	No. 100 Bernabe Subd., Brgy. San Dionisio, Sucat, Parañaque City, Metro Manila	Owned	Good			
	Greater Manila Area South	Pasig S.O. - Mercedes Ave., Pasig City, Metro Manila	Land & Warehouse-Rented	Good	1,328,284.54	December 31, 2024	Renewable upon mutual agreement of both parties
	Greater Manila Area South	Dr. A. Santos Ave., Bgy. San Dionisio, Parañaque City	Land	Good	844,107.13	November 30, 2022	Renewable upon mutual agreement of both parties
	South Luzon Area	Silangan Exit, Canlubang, Calamba City, Laguna	Owned	Good			
	South Luzon Area	Maharlika Highway, Brgy. Isabang, Lucena City, Quezon	Owned	Good			
	South Luzon Area	Maharlika Highway, Brgy. Villa Bota, Gumaca, Quezon	Owned	Good			
	South Luzon Area	Maharlika Highway, Brgy. Concepcion Grande Pequeña, Naga City, Camarines Sur	Owned	Good			
	South Luzon Area	Brgy. Mandaragat, Puerto Princesa City, Palawan	Owned	Good			
	South Luzon Area	Aurora Quezon and Calderron St., Brgy. Labangan, San Jose, Occidental Mindoro	Owned	Good			
	South Luzon Area	National Rd., Brgy. Balagtas, Batangas City, Batangas	Owned	Good			
	South Luzon Area	Ayala Highway, Brgy. Balintawak, Lipa City, Batangas	Owned	Good			
	South Luzon Area	Bgy. Pinamarbuhan, Mobo, Masbate	Land, Warehouse and Open Space-Rented	Good	195,142.50	March 31, 2026	Renewable upon mutual agreement of both parties
	South Luzon Area	Legazpi S.O. - Tahao Street, Bgy. Gogon, Legaspi City, Bicol	Warehouse, Office & Open Space-Rented	Good	314,067.60	December 31, 2022	Renewable upon mutual agreement of both parties
	South Luzon Area	Dasmarinas S.O. - Brgy. Langkaan II, Governors Drive, Dasmarinas, Cavite	Warehouse-Rented	Good	501,187.50	January 31, 2024	Renewable upon mutual agreement of both parties
	South Luzon Area	Bacoor S.O. - Tirona Highway, Habay 1, Bacoor, Cavite	Warehouse-Rented	Good	511,875.00	March 31, 2023	Renewable upon mutual agreement of both parties
	South Luzon Area	Bulan S.O. -Sitio Pawa, Brgy. Lajong, Bulan, Sorsogon	Warehouse-Rented	Good	140,910.00	October 31, 2023	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	South Luzon Area	Pila S.O. - Brgy. Bulilan Norte, National Highway, Pila, Laguna	Warehouse-Rented	Good	267,857.14	September 30, 2023	Renewable upon mutual agreement of both parties
	Negros	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
	Negros	Muelle Loney St., Brgy. Legaspi, Iloilo City	Owned	Good			
	Negros	National Hi-way, Brgy. 4, Himamaylan City, Negros Occidental	Owned	Good			
	Negros	Flores St., Brgy. Sum-Ag, Bacolod City, Negros Occidental	Owned	Good			
	Negros	Brgy., Camansi Norte, Numancia, Aklan	Owned	Good			
	Negros	Brgy. Libas, Roxas City, Capiz	Owned	Good			
	Negros	Dumaguete Region Office - Brgy. Pulang Tubig, Dumaguete City	Land & Land Improvement-Rented	Good	74,529.00	December 31, 2024	Renewable at the option of the lessee
	Negros	Dumaguete S.O. - Brgy. Pulang Tubig, Dumaguete City	Warehouse-Rented	Good	110,250.00	September 30, 2023	Renewable upon mutual agreement of both parties
	Negros	Brgy. Pagduque, Dumangas, Iloilo	Warehouse-Rented	Good	325,968.00	June 15, 2024	Renewable upon mutual agreement of both parties
	Negros	Meliza St. Brgy. Zamora, Iloilo City	Region Office	Good	49,814.23	December 31, 2022	Renewable upon mutual agreement of both parties
	Visayas	National Highway, Brgy. Tipolo, Mandaue City	Owned	Good			
	Visayas	Samar Region Office - San Bartolome St., Catbalogan, Samar	Warehouse & Open Space-Rented	Good	92,000.00	November 30, 2031	Renewable upon mutual agreement of both parties
	Visayas	Samar Region Office - San Bartolome St., Catbalogan, Samar	Warehouse, Office Space & Open Space-Rented	Good	187,000.00	November 30, 2031	Renewable upon mutual agreement of both parties
	Visayas	Tagbilaran S.O. - Tomas Cloma Ave., Taloto District, Tagbilaran City, Bohol	Warehouse-Rented	Good	160,714.29	October 31, 2022	Renewable upon mutual agreement of both parties
	Visayas	Fatima Village, Tacloban City, Leyte	Portion of Land-Rented/Portion of Land-Owned	Good	227,517.79	May 31, 2024	Renewable upon mutual agreement of both parties
	Mindanao	Brgy. Darong Sta. Cruz, Davao del Sur	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Mindanao	National Highway, Bgy. Ulas, Talomo, Davao City	Land & Land Improvements-Rented/Building-Owned	Good	68,400.00	December 31, 2021	Renewable upon mutual agreement of both parties
	Mindanao	National Highway, Brgy. Magugpo, Tagum City	Owned	Good			
	Mindanao	Sergio Osmeña, Brgy. Poblacion, Koronadal City	Owned	Good			
	Mindanao	National Highway, Brgy. Lagao, Gen. Santos City	Owned	Good			
	Mindanao	National Highway, Brgy. Luyong Bonbon, Opol, Misamis Oriental	Owned	Good			
	Mindanao	R.T. Lim Blvd., Baliwasan, Zamboanga City	Owned	Good			
	Mindanao	Brgy. Bongtod, Tandag City, Surigao del Sur	Owned	Good			
	Mindanao	J.P. Rizal Ave., Poblacion, Digos City	Owned	Good			
	Mindanao	715 Molave St., Guingona Subd. Butuan City, Agusan del Norte	Land & Land Improvement-Rented	Good	115,473.09	August 31, 2025	Renewable upon mutual agreement of both parties
	Mindanao	R. Calo St., Fort Poyohan, Butuan City	Owned	Good			
	Mindanao	Along Montilla Boulevard, Villa Kananga, Butuan City	Warehouse Facilities and Office-Rented	On-going construction of facility	468,750.00	September 30, 2026	Renewable upon mutual agreement of both parties
	Mindanao	Brgy. Aguada, Ozamiz City	Building-Rented	Good	107,846.65	August 31, 2022	Renewable upon mutual agreement of both parties
	Mindanao	Iligan S.O. - Pandan, Sta. Filomena, Iligan City	Warehouse-Rented	Good	62,500.00	September 30, 2022	Renewable upon mutual agreement of both parties
	Mindanao	Liloy S.O. - Baybay, Liloy, Zamboanga del Norte	Warehouse-Rented	Good	75,892.86	September 30, 2022	Renewable upon mutual agreement of both parties
	Mindanao	Dipolog S.O. - Sta. Filomena, Dipolog City	Warehouse-Rented	Good	50,892.86	September 30, 2022	Renewable upon mutual agreement of both parties

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Terminal						
Bataan Malt Terminal (land, building, machineries & equipment, furnitures & fixtures)	Mariveles, Bataan	Building & Facilities-Owned; Land-Rented	Good	661,029.65	April 30, 2025	Renewable upon mutual agreement of both parties
Investment Properties	Brgy. Estefania, Bacolod City (9 lots)	Owned	Good			
	No. 31 Rosario St., Brgy. Granada, Bacolod City	Owned	Good			
	Brgy. Penabatan, Pulilan, Bulacan	Owned	Good			
	L26 B11, Brgy. Sto.Domingo, Sta.Rosa, Laguna	Owned	Good			
	Jaro, Iloilo (2 lots)	Owned	Good			
	Barrio of Tinajeros, Malabon City (2 lots)	Owned	Good			
	Bo. of San Jose and Poblacion Cabanatuan City (3 lots)	Owned	Good			
	Barrio of Mallorca,San Leonardo.Nueva Ecija (2 lots)	Owned	Good			
	Poblacion,San Leonardo,Nueva Ecija	Owned	Good			
	Lot 5009 Imus Estate,Imus Cavite	Owned	Good			
	Imus Friar,Imus, Prov. of Cavite (2 lots)	Owned	Good			
	Lot 5159 Poblacion, Imus Prov. Of Cavite	Owned	Good			
	Barrio of San Rafael & San Roque (2 lots)	Owned	Good			
	Bo. Of Pob. 2nd Municipality of Tarlac (2 lots)	Owned	Good			
	71-B-3-B-4 Barrio Suizo Municipality of Tarlac	Owned	Good			
	Bgy. Paringao, Municipality of Bauang, La Union	Owned	Good			
	Bo. Mabilao, San Fabian, Pangasinan (5 lots)	Owned	Good			
	Brgy. Gabut Norte, Badoc, Ilocos Norte	Owned	Good			
Head Office						
Office Space	40 San Miguel Ave., Mandaluyong City	Rented	Good	3,901,945.37	December 31, 2021	
B. INTERNATIONAL						
Breweries						
San Miguel Beer (Thailand) Ltd.	89 Moo2, Tiwanon Rd., Baan Mai, Muang , Pathumtani 12000, Thailand	Owned	Good			
PT Delta Djakarta Tbk	Jalan Inspeksi Tarum Barat Desa Setia Darma Tambun Bekasi Timur 17510, Indonesia	Building Owned. Land under Land Use Rights	Good		Various parcels of land. September 2027, November 2028, March 2039	For renewal before the expiry date
San Miguel Brewery Hong Kong Limited	22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	Building-Owned; Land-Rented	Good	HKD 207,333.00	2047	No renewal options
San Miguel (Guangdong) Brewery Co.,Ltd	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Owned	Good		May 01, 2053	Renewal 1 month before expiration date. (Land-Use Right)
San Miguel (Baoding) Brewery Co. Ltd.	Shengli Street, Tianwei West Road, Baoding City, Hebei Province, China	Owned	Good			
San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh , Khanh Hoa	Owned	Good			
Sales/Area Offices and Warehouses						
San Miguel Brewery Hong Kong Limited	9th Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong	Land-Rented	Good	HKD 33,573.00	2047	No renewal options
San Miguel Brewery Hong Kong Limited	San Miguel Industrial Building, No. 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hongkong	Land-Rented	Good	HKD 16,932.00	2047	No renewal options
San Miguel (Guangdong) Brewery Co.,Ltd	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Owned	Good	Land price paid upfront. Annual land-use right tax RMB341k.	May 01, 2053	Renewal 1 month before expiration date.

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Guangzhou Admin Office	Room 702, No. 98, South East Road, Yuexiu District, Guangzhou, Unit A and unit B	Office Space-Rented	Good	2021/6/16-2022/6/15 RMB11,020.00 2022/6/16-2023/6/15 RMB11,571.00	June 15, 2023	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
Shenzhen Sales Office	Kaijiada Building, No. 1 Industrial Park Road, Dalang Street Office, Longhua District, Shenzhen City	Office Space-Rented	Good	RMB 4,876.00	November 11, 2022	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
Zhongshan Sales Office	Qijiang Road,Shaxi District, Zhongshan City, China	Leased	Good	RMB 1,500.00	November 29, 2022	At the end of contract ,in the same condition, We have the priority right of renewal, lease and rent will be discussed by both parties .
Guangzhou Clifford	Room 2206, No.2, Cliffordhuaxia, Mingyue No.1 Road, Yuexiu District, Guangzhou,	GM's dormitory	Good	RMB 13,400.00	February 28, 2022	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
Guangzhou San Miguel Brewery Co. Ltd.						
Shantou Sales Office	Room 803 and Room 804, Underground Parking, Huamei Garden, Shantou City	Owned	Good			
San Remo Taiwan (SRT)						
San Miguel Company Ltd. Taiwan Branch-Taipei	3F-3, No.167, Fusing N. Rd., Taipei, Taiwan (ROC)	Office Space-Rented	Good	NT$140,000.00	April 15, 2022	At the end of contract , lease and rent will be discussed by both parties .
San Miguel Company Ltd. Taiwan Branch-Kaohsiung	No.305-6, Renlin Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.)	Office Space-Rented	Good	NT$70,000.00	December 31, 2022	No renewal options
San Miguel Company Ltd. Taiwan Branch-Taichung	No.159, Shuwang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	Office Space-Rented	Good	NT$39,000.00	December 30, 2022	At the end of contract , lease and rent will be considered by landlord.
San Miguel Company Ltd. Taiwan Branch-North Region Warehouse	No. 34-88, Dahu Rd., Guishan Dist., Taoyuan City 333, Taiwan (R.O.C.)	Office Space-Rented	Good	NT$187,880.00	December 31, 2021	Continuing unless terminated and agreed by both parties
San Miguel China Investment Company Limited	Room 701, Tower 1, Xiaoyun Center, Xiaguangli, No. 15 Chaoyang District, Beijing China 100026	Office Space-Rented	Good	RMB 23,000.00	September 23, 2022	Renewable upon mutual agreement of both parties
San Miguel (China) Investment Co. Ltd.	1-7A, 1-11A, 1-12A, 1-9C, 1-7C Parkview Tower Chaoyang District Beijing 100027, China	Owned	Good			
San Miguel Baoding Brewery Company Limited						
San Miguel Baoding Brewery Company Limited	4-3-102, 4-3-202, 4-3-302 JiXing Yuan, Baoding City	Owned	Good			
San Miguel Baoding Brewery Company Limited	Shengli Street, Tianwei West Road, Baoding City, Hebei Province, China	Land-Rented	Good	Entire rent paid at the start of lease term	June 01, 2046	Renewable upon mutual agreement of both parties
San Miguel Baoding Brewery Company Limited	1-1-2601, Zhengyulvgu, Chaoyang North Street, Baoding City , Hebei Province, China	Office Space-Rented	Good	RMB 3,616.17	March 06, 2022	Renewable upon mutual agreement of both parties
San Miguel Marketing Thailand Limited						
North sales office	North Office 403/5 Lumpoon Road, Wadked , Amphor Muang , Lumpoon	Office Space-Rented	Good	THB 13,684.21	December 31, 2022	Renewable upon mutual agreement of both parties
South sales office (Phuket)	14/4 Moo 4 , Tambon Wichit Amphor Muang, Phuket	Office Space-Rented	Good	THB 23,157.90	December 31, 2022	Renewable upon mutual agreement of both parties (Ongoing renewal)

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	South sales office (Samui)	44/38 Moo 1 Tambon Maenam,Amphur Koh Samui Suratthani	Office Space-Rented	Good	THB 21,052.63	December 31, 2022	Renewable upon mutual agreement of both parties
	Northeast sales office	44/50 Moo 3 Chataphadung Rd, Thumbon Naimuang, Amphur Muang Khonkean	Office Space-Rented	Good	THB 11,578.95	December 31, 2022	Renewable upon mutual agreement of both parties (Ongoing renewal)
	Pattaya sales office	263/91 Moo 12 Tambon Nongprue Banglamung Chonburi	Office Space-Rented	Good	THB 25,263.16	December 31, 2022	Renewable upon mutual agreement of both parties
	San Miguel Brewery Vietnam Company Limited						
	San Miguel Brewery Vietnam Company Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh, Khanh Hoa	Land-Rented	Good	VND 44,185,733	November 12, 2024	Renewable upon mutual agreement of both parties
	Ho Chi Minh Sales Office	180 Nguyen Van Troi Street, Ward 8, Phu Nhuan Dist, HCM City	Office Space-Rented	Good	USD 7,251.82	April 01, 2023	Renewable upon mutual agreement of both parties
	Da Nang Sales Office	180 2/9 Street, Da Nang City, Vietnam	Office Space-Rented	Good	VND 28,000,000	October 05, 2023	Renewable upon mutual agreement of both parties
	Nha Trang Sales Office	60 D Tran Nhat Duat Phuoc Hoa Nha Trang	Office Space-Rented	Good	VND 25,000,000	March 31, 2023	Renewable upon mutual agreement of both parties
	Ho Chi Minh warehouse	A75 Bach Dang Ward 2 Tan Binh Dist	Warehouse-Rented	Fair	VND 54,340,000	March 31, 2022	Renewable upon mutual agreement of both parties
	Vung Tau Sale Office	80 Huyen Trang Cong Chua Ward 8, Vung Tau	Leased	Good	VND 7,000,000	June 30, 2023	Renewable upon mutual agreement of both parties
2	**GINEBRA SAN MIGUEL, INC.**						
	A. HEAD OFFICE						
	GSMI Office Space	3rd and 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Owned	Good			
	GSMI Office Space	5th Floor SMPC Bldg., St Francis Ave., Ortigas Center, Mandaluyong City	Rented	Good	P1,009,518.72 (September 01, 2021 to August 31, 2022) P1,080,185.03 (September 01, 2022 to August 31, 2023) VAT-EX	August 31, 2023	Renewable upon mutual agreement of both parties
	B. NORTH LUZON						
	Plants						
	GSMI Sta. Barbara Plant (Land and Facilities)	Tebag West, Sta. Barbara, Pangasinan	Owned	Good			
	EPSBPI Cauayan Plant (Land and Facilities)	San Fermin, Cauayan, Isabela	Owned	Good			
	Warehouse/Sales Office						
	GSMI Cauayan Sales Office	327 Prenza Highway, San Fermin, Cauayan Isabela	Owned	Good			
	GSMI Pua Warehouse 1 and 3	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	P398,088.00 (VAT-EX)	March 31, 2022	Renewable upon mutual agreement of both parties
	GSMI La Union Sales Office	Lee Building, Natl. Hiway, Brgy. Carlatan, San Fernando City, La Union	Rented	Good	P17,368.42 (VAT-EX)	December 31, 2021	Renewable upon mutual agreement of both parties
	GSMI San Fernando Sales Office	#162 Baliti 2000 City of San Fernando Pampanga	Rented	Good	P475,000.00 (VAT-EX)	December 31, 2022	Renewable upon mutual agreement of both parties
	GSMI Lunec Warehouse	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	P776,700.00 (VAT-EX)	March 31, 2022	Renewable upon mutual agreement of both parties
	Binmaley \Warehouse	Binmaley, Pangasinan	Rented	Good	P577,800.00 (VAT-EX)	March 15, 2022	Short Term Lease Only

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Cauayan Warehouse 1	Cauayan, Isabela	Rented	Good	P387,040.00 (VAT-EX)	February 28, 2022	Short Term Lease Only
	Cauayan Warehouse 2	Cauayan, Isabela	Rented	Good	P207,360.00 (VAT-EX)	March 31, 2022	Short Term Lease Only
	Mangaldan Warehouse 1	Mangaldan, Pangasinan	Rented	Good	P150,000.00 (VAT-EX)	February 28, 2022	Short Term Lease Only
	Mangaldan Warehouse 2	Mangaldan, Pangasinan	Rented	Good	P322,500.00 (VAT-EX)	February 28, 2022	Short Term Lease Only
	Malasiqui Warehouse	Malasiqui, Pangasinan	Rented	Good	P240,000.00 (VAT-EX)	February 28, 2022	Short Term Lease Only
	Urdaneta Warehouse	Urdaneta, Pangasinan	Rented	Good	P439,600.00 (VAT-EX)	March 31, 2022	Short Term Lease Only
	San Fermin Warehouse	San Fermin, Isabela	Rented	Good	P142,080.00 (VAT-EX)	February 15, 2022	Short Term Lease Only
	Baliti Warehouse	Baliti, San Fernando, Pampanga	Rented	Good	P203,000.00 (VAT-EX)	February 28, 2022	Short Term Lease Only
	Calasiao Warehouse	Calasiao Pangasinan	Rented	Good	P287,500.00 (VAT-EX)	March 31, 2022	Short Term Lease Only
	Depot						
	GSMI Alcohol Depots #1 and #2	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Owned	Good			
	Land						
	GSMI Lingayen Property	Libsong East, Lingayen, Pangasinan	Owned	Good			
	GSMI Olongapo Property	Sta. Rita, Olongapo City, Zambales	Owned	Good			
	GSMI Cauayan Property	San Fermin, Cauayan, Isabela	Owned	Good			
	C. GMA						
	Warehouse/Sales Office						
	GSMI Pasig (C5) Sales Office (Warehouse Space, Parking Space	Maja Compound, Canley Road Corner E. Rodgriguez (C5), Bagong Ilog, Pasig City	Rented	Good	P926,044.35 (VAT-EX)	June 15, 2022	Renewable upon mutual agreement of both parties
	GSMI Sucat Parañaque Sales Office	#8380 Dr. A. Santos Avenue, BF Homes, Parañaque City	Owned	Good			
	D. SOUTH LUZON						
	Plants						
	GSMI Lucena Plant (Land and Facilities)	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Good			
	EPSBPI Ligao Plant (Facilities)	Km 503, Hacienda Mitra, Paulog, Ligao City, Albay	Owned	Good			
	GSMI Cabuyao Plant (Land and Facilities)	Silangan Industrial Estate, Brgy. Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Warehouse/Sales Office						
	GSMI Ligao Sales Office	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Owned	Good			
	EPSBPI Warehouse Extension	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Owned	Good			
	Calamba Sales Office and Warehouse 7	National Road, Brgy, Paciano Rizal, Calamba Laguna	Rented	Good	P155,400.00 VAT-EX	February 15, 2022	Renewable upon mutual agreement of both parties
	Calamba Sales Office and Warehouse 8	National Road, Brgy, Paciano Rizal, Calamba Laguna	Rented	Good	P155,400.00 VAT-EX	June 15, 2022	Renewable upon mutual agreement of both parties
	GSMI Sales Admin Office	1080 Dona Aurora Boulevard, Gulang-gulang, Lucena City	Rented	Good	P22,645.50 (December 01, 2020 to November 30, 2021) P23,325.00 (December 01, 2021 to November 30, 2022) VAT-EX	November 30, 2022	Renewable upon mutual agreement of both parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	GSMI Legazpi Warehouse 1	Barangay 42, Rawiz Legazpi City	Rented	Good	P121,500.00 (VAT-EX)	June 30, 2022	Renewable upon mutual agreement of both parties
	GSMI Legazpi Warehouse 2	Barangay 42, Rawiz Legazpi City	Rented	Good	P101,250.00 (VAT-EX)	April 30, 2022	Renewable upon mutual agreement of both parties
	GSMI Pagsanjan Sales Office	Sitio Ilaya Sabang 4008 Pagsanjan Laguna	Rented	Good	P36,000.00 (VAT-EX)	November 19, 2022	Renewable upon mutual agreement of both parties
	Calamba Warehouse	Calamba, Laguna	Rented	Good	P585,200.00 (VAT-EX)	February 15, 2022	Short Term Lease Only
	Cabuyao Warehouse 1	Cabuyao, Laguna	Rented	Good	P818,158.00 (VAT-EX)	March 15, 2022	Short Term Lease Only
	Cabuyao Warehouse 2	Cabuyao, Laguna	Rented	Good	P216,000.00 (VAT-EX)	March 15, 2022	Short Term Lease Only
	Pili Warehouse	Pili, Camarines Sur	Rented	Good	P103,680.00 (VAT-EX)	March 15, 2022	Short Term Lease Only
	Naga Warehouse	Naga, Camarines Sur	Rented	Good	P240,000.00 (VAT-EX)	February 28, 2022	Short Term Lease Only
	Tabaco Warehouse 1	Tabaco, Laguna	Rented	Good	P96,426.00 (VAT-EX)	February 28, 2022	Short Term Lease Only
	Tabaco Warehouse 2	Tabaco, Laguna	Rented	Good	P192,852.00 (VAT-EX)	February 28, 2022	Short Term Lease Only
	Depot						
	GSMI Cotta Depot	Francisco Ferdinand St., Teacher's Village, Bgy. Cotta, Lucena City	Owned	Good			
	GSMI Tabangao Depot	Bgy. Tabangao, Aplaya, Batangas City	Owned	Good			
	GSMI Alcohol Depot (Tanks 1, 2, 3)	BBTI, Bauan, Batangas	Rented	Good	P528,000.00 (VAT-EX)	December 31, 2021	Renewable at the option of the lessee
	GSMI Alcohol Depot (Tanks 4 & 6)	BBTI, Bauan, Batangas	Rented	Good	P720,000.00 (VAT-EX)	December 31, 2021	Renewable at the option of the lessee
	GSMI Alcohol Depot (Tanks 5 & 7)	BBTI, Bauan, Batangas	Rented	Good	P720,000.00 (VAT-EX)	December 31, 2021	Renewable at the option of the lessee
	GSMI Alcohol Depot (Tanks 8 & 9)	BBTI, Bauan, Batangas	Rented	Good	P384,000.00 (VAT-EX)	December 31, 2021	Renewable at the option of the lessee

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Land						
	EPSBPI Ligao Plant (Land)	KM 503, Hacienda Mitra, Paulog, Ligao City, Albay	Owned	Good			
	E. VISAYAS						
	Plants						
	GSMI Mandaue Plant (Land and Facilities)	Subangdaku, Mandaue City, Cebu	Owned	Good			
	GSMI Bago Plant (Land and Facilities)	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
	DBI Alcohol Distillery (Land and Facilities)	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	DBI Deepwell Sites (Land and Facilities)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	Warehouse/Sales Office						
	GSMI Warehouse - K	Mandaue Port, J. Cenniza St., Looc Mandaue City	Owned	Good			
	GSMI Bago City Sales Office	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	Distileria Bago, Inc. (Aged Alcohol Warehousing and Management)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	GSMI Tacloban Sales Office	Picas Sagkahan, Diversion Road, Brgy. 59, Tacloban City	Rented	Good	P15,000.00 (VAT-EX)	October 31, 2022	Renewable upon mutual agreement of both parties
	GSMI Warehouse - I	Mandaue Port, J. Cenniza St., Looc Mandaue City	Owned	Good			
	GSMI Warehouse - C	Mandaue Port, J. Cenniza St., Looc Mandaue City	Owned	Good			
	GSMI Warehouse - T	Mandaue Port, J. Cenniza St., Looc Mandaue City	Owned	Good			
	Depot						
	GSMI Ouano Alcohol Depot (Tank)	Ouano, Mandaue City	Owned	Good			
	Land						
	DBI Relocation Site	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
	DBI (160sq.m new acquisition)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	GSMI Looc Land (Depot)	Mandaue Port, J. Cenniza St., Looc Mandaue City	Owned	Good			
	F. MINDANAO						
	Warehouse/Sales Office						
	GSMI Davao Warehouse and Sales Office	Brgy. Talomo, Ulas, Davao City	Owned	Good			
	GSMI Pagadian Sales Office	2nd flr., Nesoricom Prime Arcade, National Highway, Tiguma, Pagadian City	Rented	Good	P17,894.74 (VAT-EX)	May 31, 2023	Renewable upon mutual agreement of both parties
	GSMI Cagayan de Oro Sales Office	Limac Warehouse Diversion Road Bulua Zone 8 9000 Cagayan De Oro City	Rented	Good	P109,920.00 (May 01, 2021 to April 30, 2023) P115,416.00 (May 01, 2023 to April 30, 2024) VAT-EX	April 30, 2024	Renewable upon mutual agreement of both parties
3	**FOOD GROUP**						
	A. OWNED						
	Admin Office/Sales Office						
	Pasig Office - San Miguel Food and Beverage, Inc. (SMFB)	17F, 18F, 21F, 22F, 23F JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	Iloilo Office - San Miguel Foods, Inc. (SMFI) - Agro Industrial Cluster (AIC)	Melliza St., Iloilo City	Owned	Good			
	Isabela Sales Office - SMFI - Poultry	Soyung, Echague, Isabela	Owned	Good			
	General Santos Office - SMFI - AIC	Bo. Makar, Calumpang, Gen. Santos City	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Admin Office and Feedmill/Processing Plant/Product Development Laboratory/Warehouse						
	Cavite Admin Office and Magnolia Plant - Magnolia Inc. (Magnolia)	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
	Depok Office and Processing Plant - PT San Miguel Foods Indonesia (PTSMFI)	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Depok, Indonesia	Owned	Good			
	Tarlac Office, Feedmill and Warehouse - SMFI - Feeds	Luisita Industrial Park, San Miguel,Tarlac City	Owned	Good			
	Bataan Feedmills and Warehouse - SMFI - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan City	Owned	Good			
	Pasig Office and Product Development Laboratory - SMFI -Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Owned	Good			
	La Pacita Antipolo Office & Plant - Magnolia	#88 Garnet, Bario Mambugan, Antipolo City	Owned	Good			
	Bacolod Warehouse - San Miguel Mills, Inc. (SMMI)	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
	Isabela Feedmill and Warehouse - SMFI - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
	Bulacan Feedmill and Warehouse (San Ildefonso) - SMFI - Feeds	Brgy. Malipampang, San Ildefonso, Bulacan	Owned	Good			
	Pangasinan Feedmill, Office and Laboratory - SMFI - Feeds	Brgy. Bued, Binalonan, Pangasinan City	Owned	Good			
	Farm/Hatchery						
	Isabela Cattle Farm - SMFI - Meats	3305 San Luis, Cauayan, Isabela City	Owned	Good			
	Calamba Hatchery - SMFI - Poultry	Brgy Licheria, Calamba City	Owned	Good			
	Bataan Farm - SMFI - Poultry	Brgy. General Lim, Orion, Bataan City	Owned	Good			
	Bukidnon Hatchery - SMFI - Poultry	Kapitan Bayong, Impasug-ong, Bukidnon City	Owned	Good			
	Bukidnon Hog Farm - SMFI - Meats	San Vicente, Sumilao, Bukidnon City	Owned	Good			
	Laguna Cattle Farm - SMFI - Meats	Brgy. Mabacan, Calauan, Laguna	Owned	Good			
	Flourmill/Feedmill						
	Iloilo Feedmill - SMFI - Feeds	Brgy. Gua-an, Leganes, Iloilo	Owned	Good			
	Mabini Flourmills - San Miguel Mills, Inc. (SMMI)	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
	Tabangao Flourmill - SMMI	Brgy. Tabangao, Batangas City	Owned	Good			
	Bukidnon Feedmill - SMFI - Feeds	Impalutao,Impasug-ong,Bukidnon City	Owned	Good			
	Davao Feedmill - SMFI - Feeds	Sitio Landing, Brgy. Darong , Sta. Cruz, Davao Del Sur	Owned	Good			
	Pavia Iloilo Feedmill - SMFI - Feeds	Brgy. Mali-ao Pavia, Iloilo	Owned	Good			
	Ormoc Feedmill - SMFI - Feeds	Brgy, Macabug, Ormoc City	Owned	Good			
	Misamis Oriental Feedmill - SMFI - Feeds	Brgy Gracia, Sitio Kivulda, Phividec, Tagoloan, Misamis Oriental	Owned	Good			
	Mandaue Feedmill - SMFI - Feeds	JL Ceniza St., Brgy Looc, Mandaue City	Owned	Good			
	Grain Terminal						
	Mabini Bulk Grain Handling Terminal - Golden Bay Grain Terminal Corporation (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
	Land						
	Mabini Land - SMFB	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
	Pasig Land - Golden Avenue Corp. (GAC)	San Miguel Ave., Corner Tektite Road, Pasig City	Owned	Good			
	Bulacan Land - SMFI Feeds	Malipampang, San Ildefonso, Bulacan	Owned	Good			
	General Santos Land - SMFI - Feeds	Bo. Makar, Calumpang, Gen. Santos City	Owned	Good			

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Bacolod Land - SMMI	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
	Isabela Land - SMFI - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
	Iloilo Land - SMFI - Feeds	Brgy. Gua-an. Leganes, Iloilo	Owned	Good			
	Davao Land - SMFI - Feeds	Darong, Sta. Cruz, Davao	Owned	Good			
	Processing Plant						
	Binh Duong Processing Plant - San Miguel Pure Foods (VN) Co., Ltd. (SMPFVN)	An Tay, Ben Cat, Binh Duong, Vietnam	Owned	Good			
	Cavite Processed Meats Plants - The Purefoods-Hormel Company, Inc. (Purefoods-Hormel)	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
	Davao Processing Plant - SMFI - Poultry	Brgy. Sirawan, Toril Davao City	Owned	Good			
	Cavite Fresh Meat Processing Plant - SMFI - Meats	Governor's Drive Bo. Langkaan 1, Dasmarinas Cavite City	Owned	Good			
	Laguna Ice Cream Plant - Golden Food Management, Inc. (GFMI)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	San Fernando Processing Plant	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
	Processing Plant and Cold Storage						
	Mandaue Poultry Processing Plant and Cold Storage - SMFI - Poultry	Riverside, Canduman, Mandaue City	Owned	Good			
	Warehouse						

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Quezon City Warehouse - Purefoods-Hormel	Regalado Ave., Fairview, Quezon City	Owned	Good			
	B. LEASED						
	Admin Office						
	Mandaluyong Office - San Miguel Food and Beverage, Inc.	40 San Miguel Ave., Mandaluyong City	Rented	Good	52,366.65	30-Jun-2022	Renewable upon mutual agreement of both parties
	Laguna Office - SMFI - Poultry	2nd & 3rd Floor, Andenson Building III, National Hi-way, Brgy. Parian, Calamba City, Laguna	Rented	Good	971,389.11	31-Jul-2022	Renewable every 5 years
	Davao Office - SMFI - Poultry	3rd Floor Alpha Bldg., Lanang Business Park, Lanang, Davao	Rented	Good	321,599.60	31-Aug-2025	Renewable every 5 years
	Ho Chi Minh Office - SMPFVN	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City, Vietnam	Rented	Good	VND 38,646,597.17	31-Jul-2025	Renewable every 5 years
	Cebu Office - SMFI - Poultry	5th and 6th Flr., Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	178,200.00	30-Jun-2023	Renewable every 3 years
	Cebu Office - SMFI - Great Food Solutions (GFS), SMFI - Poultry and SMFI - SMIS	7th Floor Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	29,700.00 (GFS) 59,400.00 (Poultry) 59,400 (SMIS)	30-Jun-2023	Renewable upon mutual agreement of both parties
	Zamboanga Office - SMFI - Poultry	Don Alfonso Marquez Subd., MCLL Highway Tetuan Zamboanga City	Rented	Good	31,907.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Bukidnon Office - SMFI - AIC and SMFI - Poultry	Propia St. , Malaybalay, Bukidnon	Rented	Good	133,928.57	31-Jan-2023	Renewable every 5 years
	Cagayan de Oro Office - SMFI - AIC and SMFI - Poultry	Masterson Avenue Zone 13, Carmen, Cagayan de Oro	Rented	Good	370,729.43	30-Jun-2022	Renewable every year
	Dumaguete Office - SMFI - Poultry	Unit 1-C, JC Building, Ipil Road, Brgy. Daro, Dumaguete City	Rented	Good	34,728.75	30-Oct-2024	Lease may be renewed upon mutual consent of both parties, after written notice to renew is given by the Lessee to the Lessor 60 days before expiry date.
	Bacolod Office - SMFI - Poultry	NFCC Cybercentre Complex, Lacson Cr. Hernaez St., Bacolod City	Rented	Good	250,101.00	30-Jun-2023	Renewable every 5 years
	C5 Pasig Office - SMFB, SMFI, PHC, Magnolia, Coffee, SMMI	100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City	Rented	Good	Jan-Jun: 8,374,700.00; Jul-Dec: 8,625,941.00	16-Jun-2024	Renewable upon mutual agreement of both parties
	Tacloban Office - SMFI - AIC	Unit 12, 2nd Floor Bldg. B, Metrobank Center, Juan Luna St., Brgy. Poblacion, Palo, Leyte	Rented	Good	53,773.20	21-Oct-2023	Renewable every 5 years

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Ormoc Office - SMFI - AIC	AW Square 3rd/F R#3F Cor. Real & San Vidal St., Ormoc City	Rented	Good	30,800.00	30-Nov-2024	Renewable every 5 years
	Admin Office and Cold Storage/Processing Plant/Warehouse						
	Butuan Office and Cold Storage - SMFI - AIC and SMFI - Poultry	Km 9 Tag-ibo Butuan City	Rented	Good	9,031.79 (Office) 483,600.00 (Cold Storage)	31-Mar-2023 (Office - AIC) 31-Dec-2022 (Cold Storage - Poultry)	Renewable every 5 years (Office & Cold Storage)
	Misamis Occidental Office and Cold Storage - SMFI - AIC and SMFI - Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	12,000.00 (Office) 278,423.00 (Cold Storage)	31-Dec-2022 (Office) 31-Dec-2022 (Cold Storage)	Renewable every year (Office) Renewable every 5 years (Cold Storage)
	Camarines Sur Office - SMFI - AIC; Office, Quality Assurance Office, Cold Storage and Holding Room - SMFI - Poultry; and Cold Storage - SMFI - Meats	Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur	Rented	Good	57,750 (Office AIC) 548,500.00 (Office - Poultry) 267,857.14 (QA Office - Poultry) 1,640,821.00 (Cold Storage - Poultry) 553,797.00 (Holding Room - Poultry) 383,699.68 (Cold Storage - Meats)	Continuing unless terminated and agreed by both parties (AIC Office, Poultry Admin and QA Office) 31-Dec-2022 (Poultry Cold Storage & Holding Room) 31-Mar-2022(Meats Cold Storage)	Renewable upon mutual agreement of both parties (AIC Office & Poultry Admin & QA Office) Renewable every 3 years (Poultry Cold Storage and Holding Room, and Meats Cold Storage)
	Iloilo Office and Cold Storage - SMFI - SMIS	Iloilo Sales Options, Brgy. Mali-ao Pavia Iloilo, Jentec Storage Corp. Iloilo	Rented	Good	9,000 (Office) 494,519.08 (Cold Storage - SMIS)	1-Jan-2022 (Office) 31-Mar-2021 (Cold Sotrage SMIS)	Renewable upon mutual agreement of both parties
	Cebu Office, Labatory & Cold Storage - SMFI - Poultry	Brgy. Pangdan, Naga City, Cebu	Rented	Good	60,000.00 (Office and Labatory) 1,305,759.45 (Cold Storage)	30-Jun-2022	Renewable every 6 months
	Cavite Cold Storage and Warehouse-Magnolia, SMFI - Meats and SMFI - Poultry	Anabu Hills Industrial Estate, Anabu 1-c, Imus Cavite	Rented	Good	Cold Storage: 632,597.07 (Magnolia) 1,718,392.70 (Meats) 457,120.00 (Poultry) Warehouse: 738,464.08 (Meats)	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Mandaue Warehouse and Cold Storage - SMFI - Poultry	Lot 2459-B1&B2 Batiller Street, Barangay Umapad, Mandaue City	Rented	Good	650,660.74 (Dry Warehouse) 865,614.62(Cold Storage)	Continuing unless terminated and agreed by both parties	Ongoing renewal through SMILSI
	Cebu Cold Office and Storage - SMFI - Poultry	F.E. Zuellig Ave., North Reclamation Area, Mandaue, Cebu	Rented	Good	284,489.13 (Office) 3,607,900.63 (Cold Storage)	31-Jul-2021	Renewable every 3 years
	Mandaue Office and Storage - SMFI - Poultry	245 Subangdaku, Mandaue City	Rented	Good	59,400.00	30-Jun-2023	Renewable upon mutual agreement of both parties
	Cold Storage						
	Davao Cold Storage - SMFI - Poultry	Daliao, Toril Davao	Rented	Good	189,963.20	31-Dec-2020	Ongoing renewal through SMILSI
	Navotas Cold Storage - Purefoods-Hormel	Lapu-Lapu Ave. and C3 Road cor. Northbay Blvd., Navotas	Rented	Good	2,877,676.55	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Misamis Oriental Cold Storage - SMFI - Poultry	Mohon Tagoloan Misamis Oriental	Rented	Good	379,238.00	31-Dec-2024	The Lessee maybe pre-terminate the Contract without cause by giving 60 days prior written notice to the Lessor
	Palawan Cold Storage - SMFI - Poultry	Puerto Princesa, Palawan	Rented	Good	346,500.00	31-Dec-2024	Renewable every 2 years

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Davao Cold Storage - SMFI - Poultry and SMFI - Meats	Purok 15, Panungtungan, Tibungco, Davao	Rented	Good	559,305.51 (Poultry) 9,190.00 (Meats)	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Pangasinan Cold Storage - SMFI - Poultry	Brgy. Mabilao, San Fabian, Pangasinan 2433	Rented	Good	204,984.00	30-Sep-2023	Renewable every 3 years
	Bacolod Cold Storage - SMFI - Poultry	Calong-calong, Airport Subd, Brgy Singcang, Bacolod City	Rented	Good	220,535.74	31-Dec-2020	Ongoing renewal through SMILSI
	Misamis Oriental Cold Storage - SMFI - Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	118,552.00	Continuing unless terminated and agreed by both parties	Renewed upon the expiry of its contract term for the like period(s) under the same terms and conditions, except as may be otherwise agreed by the parties in writing
	Mandaluyong Cold Storage - SMFI - SMIS	10th floor San Miguel Properties Centre, 7 St. Francis st. Mandaluyong City	Rented	Good	938,936.00	30-Jun-2021	Renewable upon mutual agreement of both parties
	Pasig Cold Storage - SMFI - Great Food Solutions (GFS)	Luis St., San Miguel, Pasig City	Rented	Good	1,414,643.10	30-Jun-2021	Renewable upon mutual agreement of both parties
	Dagupan Cold Storage - SMIS	AB Fernandez Ave., Dagupan City	Rented	Good	1,534,057.03	30-Jun-2021	Renewable upon mutual agreement of both parties
	Pampanga Cold Storage - SMIS	Gloria 1 Sindalan, San Fernando, Pampanga	Rented	Good	1,651,206.99	30-Jun-2021	Renewable upon mutual agreement of both parties
	Isabela Cold Storage - SMFI - Meats	San Luis, Cauayan, Isabela	Rented	Good	258,812.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Calamba Cold Storage - SMIS	Logistikus, Inc., Bldg 4, Molson Park, CA Yulo Ave, Canlubang Industrial Park, Calamba, Laguna	Rented	Good	3,226,171.64	31-Mar-2021	Renewable upon mutual agreement of both parties
	Cagayan De Oro Cold Storage - SMFI - SMIS	Door 6 Waterside Living Complex, J Pacana St., Cagayan De Oro City	Rented	Good	42,130.27	30-Jun-2021	Renewable upon mutual agreement of both parties
	Cagayan De Oro Cold Storage - SMFI - Poultry	Tablon, Cagayan de Oro City	Rented	Good	1,069,690.00	31-Mar-2022	Renewable upon mutual agreement of both parties
	Palawan Cold Storage - SMFI - Poultry	Abara Road, Brgy. San Pedro, Puerto Princesa City, Palawan	Rented	Good	346,500.00	31-Dec-2024	Renewable every 2 years
	Misamis Oriental Cold Storage - SMFI - Poultry	Sugbongcogon Phividic, Misamis Oriental	Rented	Good	128,220.00	28-Feb-2022	Renewable every year
	Negros Oriental - Cold Storage - SMFI - Poultry	Sra Ascion, San Jose, Negros Oriental	Rented	Good	2,365,200.00	28-Oct-2024	Renewable every 3 years
	Batangas Cold Storage - SMFI - Meats	San Roque, Sto Tomas Batangas	Rented	Good	2,367,090.00	31-Dec-2021	Ongoing renewal through SMILSI
	Indonesia Cold Storage - PTSMFI	Jl.Raya Narogong Km.12,5 Pangkalan 5 No.7, Cikiwul Rt.002 Rw.006, Cikiwul, Bekasi	Rented	Good	IDR 21258245.84	28-Feb-2022	Renewable upon consent of both parties
	Cold Storage and Blast Freezing Facility/Holding Room/Laboratory/Warehouse/Processing Plant/Mixes Storage/Office						
	Bulacan Holding Room - SMFI - Poultry	#95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	178,685.00	1-Jun-2022	Renewable every 3 years
	Bulacan Cold Storage and Holding Room - SMFI - Poultry	111 Pulong Gubat, Balagtas Bulacan	Rented	Good	2,391,480 (Cold Storage) 811, 795.00 (Holding Room)	31-Dec-2022	Renewable every 2 years
	Pampanga Cold Storage & Selling Station- SMFI - Meats & Mixes Storage - Poultry	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	1,927,550.00 (Cold Storage) 58,000.00 (Selling Station) 60,286.00 (Mixes Storage)	31-Dec-23	Renewable upon mutual agreement of both parties
	Leyte Cold Storage and Office and Laboratory - SMFI - Poultry	Brgy. Antipolo, Albuera, Leyte	Rented	Good	1,637,614.00 (Cold Storage) 35,000.00 (Office and Laboratory)	31-Aug-23	Renewable every 3 years

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Bulacan Cold Storage, Holding Room and Laboratory - SMFI - Poultry	Brgy. Caysio, Sta. Maria, Bulacan	Rented	Good	2,749,935.57 (Cold Storage) 997,108.00 (Holding Room) 28,265.57 (Laboratory)	28-Feb-2022 (Cold Storage, Holding Room, Laboratory)	Renewable every 3 years (Cold Storage, Holding Room, Laboratory)
La Union Cold Storage, Holding Room and Laboratory - SMFI - Poultry	Brgy. Rabon, Rosario, La Union 2506	Rented	Good	1,794,978.13 (Cold Storage & Holding Room) 72,081.00 (Laboratory)	30-Sep-2023	Renewable every 3 years
Iloilo Cold Storage - SMFI - Poultry	Brgy. Sambag Jaro Iloilo	Rented	Good	238, 860.34	31-Dec-2020	Ongoing renewal through SMILSI
Pampanga Cold Storage, Holding Room and Labatory - SMFI - Poultry	Brgy. San Isidro, San Simon, Pampanga	Rented	Good	906,252.00 (Cold Storage) 317,853.00 (Holding Room) 49,090.00 (Labatory)	7-Jul-2022	Renewable every 5 years
Tarlac Cold Storage, Holding Room and Laboratory - SMFI - Poultry	Brgy. San Nicolas Balas, Concepcion, Tarlac 2316	Rented	Good	1,810,069.00 (Cold Storage) 1,211,826.00 (Holding Room) 37,882.07 (Laboratory)	31-Dec-2024	Renewable every 3 years (Cold storage)
Bataan Cold Storage and Holding Room - SMFI - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	2,363,154.00 (Cold Storage) 1,088,895.00 (Holding Room) 28,764.14 (Labatory)	31-Dec-2024	Renewable every 3 years
Nueva Ecija Cold Storage, Holding Room and Labatory- SMFI - Poultry	Km104, Brgy Tabuating, San Leonardo, Nueva Ecija	Rented	Good	650,183.63 (Cold Storage) 891,681.00 (Holding Room) 218,560.00 (Labatory)	9-Mar-2024	Renewable every 3 years
Iloilo Cold Storage and Processing Plant-SMFI - Poultry	Barangay Tungay, Sta. Barbara, Iloilo	Rented	Good	902,691.69 (Cold storage) 474,483.96 (Processing plant)	31-Dec-2023	Renewable every 3 years
Negros Oriental Cold Storage and Processing Plant -SMFI - Poultry	Bolocboloc Sibulan Negros Oriental	Rented	Good	11,552.02 (Processing Plant) 1,818,600.00 (Cold Storage)	31-Oct-2024	Renewable every 3 years (Poultry)
Negros Occidental Processing Plant and Cold Storage & Laboratory - SMFI - Poultry	Hda Binunga. Brgy Guinhalaran, Silay City, Negros Occidental	Rented	Good	395,541.76 (Processing Plant) 672,383.29 (Cold Storage)	31-Jan-2024	Renewable every 3 years
Foreshore						
Mabini Bulk Grain Handling Terminal Foreshore - GBGTC	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	373,949.14	31-Dec-2025	Lease may be renewed for another 25 years at the option of the DENR
Mabini Foreshore - SMMI	Brgy. Bulacan, Mabini, Batangas	Rented	Good	49,089.06	Continuing unless terminated and agreed by both parties	Lease may be renewed for another 25 years at the option of the DENR
Tabangao Foreshore - SMMI	Brgy. Tabangao, Batangas	Rented	Good	9,648.63	22-Aug-2024	Lease may be renewed for another 25 years at the option of the DENR
Land						
Mabini Bulk Grain Handling Terminal (Land only) - GBGTC	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	1,796,808.46	31-Mar-2022	Renewable upon mutual agreement of the parties

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Pangasinan Feedmill (Land only) - SMFI - Feeds	Brgy. Bued, Binalonan, Pangasinan	Rented	Good	397,898.69	31-Dec-2022	Renewable every year
Mabini Flourmill (Land Only) - SMMI	Brgy. Bulacan, Mabini, Batangas	Rented	Good	1,563,894.12	31-Dec-2022	Renewable upon mutual agreement of the parties
Bataan Farm (Land only) - SMFI - Poultry	Brgy. General Lim, Orion, Bataan	Rented	Good	220,868.96	31-Dec-2026	Renewable at the end of contract date
Bataan Feedmill (Land only) - SMFI - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan	Rented	Good	1,260,960.00 (Plant 1) 716,214.10 (Plant 2)	31-Dec-2054 (Plant 1) 31-Mar-2041 (Plant 2)	Renewable upon mutual agreement of both parties
Cebu Land - SMMI	P. Rodriguez Street & Dad Cleland Road, Poblacion, Lapu-Lapu, Cebu	Rented	Good	Jan-June : 3,666,648 July -Dec : 3,849,979	31-May-2031	Renewable upon mutual written agreement of the parties
Pasig Office (Land Only) - SMFI - Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig	Rented	Good	314,633.66	31-Dec-2022	Renewable upon mutual agreement of both parties
Pampanga Processing Plant (Land Only) - SMFI - Poultry	SMPFC Region Office, SMC Complex, Quebiawan, San Fernando, Pampanga	Rented	Good	215,994.64	31-Dec-2022	Renewable every year
Laguna Ice Cream Plant (Land Only) - GFMI	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Rented	Good	712,666.75	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
Ready-to-Eat Plant (Land Only) - SMFI - Great Food Solutions (GFS)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa City, Laguna	Rented	Good	1,188,900.72	31-Dec-2027	Continuing unless terminated and agreed by both parties
Bulacan Feedmill(Land Only) - SMFI - Feeds	Brgy. Malipampang San Ildefonso, Bulacan	Rented	Good	1,299,862.50	31-Dec-2023	Continuing unless terminated and agreed by both parties
Processing Plant						
Lipa Dressing Plant - SMFI - Poultry	Brgy Kayumanggi, Lipa City	Rented	Good	1,037,190.00	1-Mar-2023	Renewable every 3 years
Quezon Processing Plant - SMFI - Poultry	Brgy Lagalag, Tiaong, Quezon	Rented	Good	2,811,599.00	30-Jun-2024	Renewable every 3 years
Puerto Princesa Dressing Plant - SMFI - Poultry	Brgy Tagburos, Puerto Princesa	Rented	Good	20,000.00	31-Dec-2023	Renewable every 2 years
Albay Processing Plant - SMFI - Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good	158,578.00	31-Jul-2022	Renewable every 3 years
Lucena Processing Plant - SMFI - Poultry	Brgy. Bocohan, Lucena	Rented	Good	1,534,600.00	30-Jun-2024	Renewable every 3 years
Isabela Processing Plant - SMFI - Poultry	Garit Sur, Echague Isabela	Rented	Good	3,628,230.00	15-Mar-2024	Renewable every 3 years
South Cotabato Processing Plant - SMFI - Poultry	Polomolok, South Cotabato	Rented	Good	169,150.08	30-Sep-2022	Renewable upon mutual agreement of both parties
Davao City Processing Plant - SMFI - Poultry	R.Castillo, Davao City	Rented	Good	397,423.89	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
Rizal Processing Plant - Poultry	#1 Sitio Kapatagan, Brgy. Pinugay, Baras, Rizal	Rented	Good	327,431.86	28-Feb-2023	Renewable every year
Batangas Processing Plant - SMFI - Poultry	Brgy Aya, San Jose, Batangas	Rented	Good	2,874,728.46	31-Dec-2022	Renewable upon mutual agreement of both parties
Davao Processing Plant - SMFI - Meats	Marilog District, Davao City	Rented	Good	2,519,299.61	3-Mar-2023	Renewable upon mutual agreement of both parties
South Cotabato Processing Plant - SMFI - Meats	Purok 3, Brgy. Glamang, Polomolok, South Cotabato	Rented	Good	208,272.87	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Zamboanga Processing Plant - SMFI - Poultry	Km. 10 National Highway, Boalan, Zamboanga City	Rented	Good	711,711.03	31-Dec-2020	Ongoing renewal through SMILSI

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Sales Office						
	Iloilo Office - SMFI - SMIS	Orbe St., Brgy. Baybay Norte, Miag-ao, Iloilo	Rented	Good	8,928.57	30-Jun-2028	Renewable upon mutual agreement of both parties
	Sales Office and Cold Storage/Laboratory/Warehouse						
	Pangasinan Office, Cold Storage, Processing Plant, Laboratory and Warehouse - SMFI - Poultry	GTL Compound, San Vicente, San Jacinto, Pangasinan, 2431	Rented	Good	25,000.00 (Office) 1,304,469.50 (Processing Plant, Cold Storage & Holding Area) 30,745.45 (Laboratory) 40,000.00 (Warehouse)	31-Dec-2022 (Office, Warehouse) 31-Dec-2023 (Processing Plant, Cold Storage, Laboratory)	Renewable every 3 years
	Warehouse						
	AFSI-Managed Warehouses - SMFI - Feeds	1st Industrial Park Zamboanga City Special Economic Zone Authority Sitio San Ramon, Brgy. Talisayan, Zamboanga	Rented	Good	269,010.00	31-Dec-2020	Ongoing renewal through SMCSL
	LSL Multi-Serve-Managed Warehouses - SMFI - Feeds	Bay 6 Everland Agri Corp., Km. 12, Sasa, Davao City; Km. 11, Sasa, Davao	Rented	Good	645,120.00	31-Dec-2022	Renewal every one year
	Isabela Warehouse - SMFI - Feeds	Bgry. Mabini, Alicia Isabela	Rented	Good	562,500.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual written agreement of the parties
	Pangasinan Warehouse - SMFI - Feeds	Carmay East, Rosales, Pangasinan	Rented	Good	330,610.00	31-Dec-2020	Ongoing renewal through SMILSI
	Pangasinan Warehouse - SMFI - Feeds	Carmen East, Rosales, Pangasinan	Rented	Good	1,329,838.37	31-Dec-2022	Renewable every year
	MMIJOE-Managed Warehouses - SMFI - Feeds	Diversion Rd., Buhangin, Davao City; Km 10, Sasa, Davao City	Rented	Good	1,028,618.30	31-Dec-2022	Renewable every year
	SMCSL-Managed Warehouses - SMFI - Feeds	Manila; Bataan; Batangas; Camarines Sur; Cebu; Iloilo; Bacolod; Cagayan de Oro; Ozamiz; Bukidnon; General Santos; Zamboanga; Davao	Rented	Good	40,809,620.08	31-Dec-2022; 31-De-2023	Renewable upon mutual agreement of both parties
	D Meter-Managed Warehouses - SMFI - Feeds	Cristo Rey Capas, Tarlac 2315; Claro Castaneda St, Brgy. Namayan, Mandaluyong City	Rented	Good	2,567,766.71	31-Dec-2022	Renewable every three year
	Tarlac Warehouse - SMFI - Feeds	Mabini, Moncada, Tarlac	Rented	Good	298,675.00	31-Dec-2023	Renewable every two years
	Pangasinan Warehouse - SMFI - Feeds	Nancayasan, Urdaneta, Pangasinan	Rented	Good	284,400.00	31-Dec-2020	Ongoing renewal through SMILSI
	Camarines Sur Warehouse - SMFI - Feeds	Santiago, Pili, Camarines Sur	Rented	Good	273,240.00	31-Dec-2022	Renewable every year
	Isabela Warehouse - SMFI - Feeds	Sinabbaran, Echague, Isabela	Rented	Good	1,393,479.80	31-Dec-2020	Ongoing renewal through SMILSI

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
La Union Warehouse - SMFI - Feeds	Taboc, San Juan, La Union	Rented	Good	345,446.43	31-Dec-2020	Ongoing renewal through SMILSI
South Cotabato Warehouse - SMFI - Poultry	Tumbler, Polomolok South Cotabato	Rented	Good	612,919.55	31-Dec-2020	Ongoing renewal through SMILSI
Pangasinan Warehouse - SMFI - Feeds	Urdaneta, Pangasinan	Rented	Good	1,273,852.96	31-Dec-2022	Renewable every year
Davao Warehouse - SMFI - SMIS	Purok 9 KM 20 Tibungco, Davao City	Rented	Good	537,811.21	31-Mar-2021	Renewable upon mutual agreement of both parties
Mandaluyong Warehouse - SMFI - Feeds	979 C. Castaneda Street, Mandaluyong City Metro Manila	Rented	Good	198,000.00	30-Jun-2022	Renewable every year
Camarines Sur Warehouse - SMFI - Feeds	Brgy. San Jose, Pili, Camarines Sur	Rented	Good	972,787.20	31-Dec-2022	Renewable every year
Cebu Warehouse - SMFI - SMIS	G. Ouano Street, Brgy. Opao, Mandaue City	Rented	Good	1,206,923.20	March 31, 2021	Renewable upon mutual agreement of both parties
Parañaque Warehouse - SMFI - AIC,SMFI - SMIS and SMFI - Great Food Solutions (GFS)	Pacific Coast Plaza Building, 1st Villamor Street, Parañaque	Rented	Good	59,423.29 (AIC) 182,790.42 (SMIS) 28,179.87 (GFS)	December 31, 2024	Mutually be agreed upon between the parties.
Iloilo Warehouse - SMFI - Poultry	Cabugao Norte, Sta. Barbara, Iloilo	Rented	Good	93,409.59	31-Dec-2020	Ongoing renewal through SMILSI
General Santos Warehouse - SMFI - Feeds	Hadano Avenue, Brgy. Labangal, General Santos City	Rented	Good	1,893,375.00	30-Apr-2021	Renewable every year
Tarlac Warehouse - SMFI - Feeds	Brgy. Estrada Capas, Tarlac	Rented	Good	944,864.29	31-Dec-2023	Renewable every 2 years
Mandaue Warehouse - SMFI - AIC	M.L. Quezon St., Casuntingan, Mandaue City	Rented	Good	37,315.04	31-Oct-2022	Renewable every 3 years
Pangasinan Warehouse - SMFI -Feeds	San Nicolas, Villasis, Pangasinan	Rented	Good	163,200.00	31-Dec-2020	Ongoing renewal through SMILSI
Navotas Warehouse - SMFI - Poultry	Lapu-Lapu Ave. cor. Northbay Blvd., Navotas City	Rented	Good	6,514,420.00	30-Sep-2021	Renewable upon the expiry of its contract term for the like period(s) under the same terms and conditions, except as may be otherwise agreed by the parties in writing.
San Fernando Warehouse - SMFI - Feeds	San Vicente, San Fernando, La Union	Rented	Good	342,426.79	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Laguna Warehouse - SMFI - Poultry	Denson Whse, Brgy Parian, Calamba, Laguna	Rented	Good	141,490.00	31-Jul-2024	Renewable every 5 years
Bulacan Warehouse - SMFI - SMIS	Rosas Norte, Brgy Saluysoy, Meycauyan, Bulacan	Rented	Good	1,788,007.61	30-Jun-2021	Renewable upon mutual agreement of both parties
Cebu Warehouse - SMFI - Feeds	Sitio Tawagan Brgy. Tayud, Consolacion, Cebu	Rented	Good	800,976.00	31-Dec-2023	Renewable every 2 years
Ormoc Warehouse - SMFI - Feeds	Cogon, Ormoc City,Leyte	Rented	Good	247,500.00	31-Dec-2023	Renewable every 2 years
Bohol Warehouse - SMFI - Feeds	Poblacion, Albuquerque, Bohol	Rented	Good	16,750.00	31-Dec-2023	Renewable every 2 years
Calamba Warehouse - Poultry	Prinza, Calamba, Laguna	Rented	Good	640,738.45	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
Calamba Warehouse - Poultry	MITIMCO Cmpd.,Baloy,Cagayan De Oro City	Rented	Good	1,964,709.20	31-Dec-2022	Renewable every year
Others (Blast Freezing Facility/Selling Station/Slaughterhouse, Training Facility)						
Pampanga Selling Station - SMFI - Meats	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	58,000.00	30-Jun-2024	Renewable every 5 years
Note: All owned properties are free of liens and encumbrances.						

Annex "D"

LIST OF PRODUCTS

I. BEER AND NAB

1. San Miguel Pale Pilsen
2. San Mig Light
3. San Miguel Super Dry
4. San Miguel Premium All-Malt
5. Red Horse
6. Gold Eagle
7. San Miguel Cerveza Negra
8. Cali
9. San Miguel Flavored Beer
10. San Miguel Zero
11. San Mig Free
12. San Miguel Nab
13. San Miguel Cerveza Blanca
14. Valor
15. Blue Ice
16. Dragon
17. W1N Bia (Bia Hoi)
18. Anker
19. Kuda Putih
20. Bruck
21. Knight

NON-ALCOHOLIC BEVERAGES

1. Magnolia Fruit Drink
2. Magnolia Healthtea
3. Agua Prima
4. San Mig Cola

BREWED FOR PRIVATE LABEL

1. Ikinama
2. Kiwamugi
3. Ceus
4. Elite

BREWED UNDER LICENSING/TOLLING AGREEMENT

1. Carlsberg
2. Sunlik

IMPORTED/DISTRIBUTED

1. Kirin Ichiban
2. Samuel Adams
3. Angry Orchard
4. Spitfire
5. Whitstable Bay
6. Mahou
7. Magners
8. Arcobrau
9. Blackthorn
10. Little Creatures

II. SPIRITS

1. Ginebra San Miguel
2. Ginebra San Miguel Premium Gin
3. G.S.M. Blue Light Gin
4. G.S.M. Blue Flavors (MOJITO, MARGARITA AND GIN POMELO)
5. Primera Light (PRIMERA LIGHT IMPORTED)
6. Vino Kulafu (CHINESE WINE)
7. Antonov Vodka
8. Don Enrique Mixkila Distilled Spirit
9. Añejo Gold Rum (65 PROOF)
10. San Miguel Ethyl Alcohol

FOR EXPORT ONLY

11. Tondeña Gold Rum
12. Tondeña Manila Rum (Gold)
13. Mix Gin
14. Mix Rum
15. Mix Vodka

III. FOOD

San Miguel Foods, Inc.

POULTRY

Live Broilers

Dressed Chicken (Wholes)
Magnolia Fresh Chicken (Fresh Chilled and Frozen)
Magnolia Spring Chicken (Fresh Chilled and Frozen)
Magnolia Big Bird (Fresh and Frozen)
Magnolia Jumbo Chicken (Fresh and Frozen)
Magnolia Free Range Chicken (Fresh and Frozen)

Cut-ups
Magnolia Chicken Cut-ups (Fresh Chilled and Frozen)
Magnolia Chicken Station Cut-ups (cut and packed in the Chicken Stations)
Magnolia Free Range Cut Ups

Marinated, Ready to Cook
Magnolia Chicken Timplados Ready-to-Cook (Fried Chicken, BBQ, Tocino, Teriyaki, Spicy Wings, Oriental Wings, Inasal, Spicy Fried Chicken, Roasters Lemon Herb, Roasters Smoked Pepper, Bola-bola, Chicken Longanisa)

Magnolia Chicken Station Timplados (Cheesy Fingers, Vanilla Fingers, Lumpiang Shanghai, Spicy Neck, Chicken Frillers, Korean BBQ, Chicken Siomai, Chicken Tapa) – produced in Chicken Stations

Magnolia Chicken Streat Sarap (Isaw, Chicken Feet, Chicken Neck)

Magnolia Real Chicken Burger Steak

Giblets
Magnolia Chicken Giblets (Fresh and Frozen Liver and Gizzard)

Institutional
Whole Chicken
Customized Bone-in Cut-ups and Deboned Fillets

Export
Magnolia Chicken Griller (Fresh and Frozen)
Chicken Yakitori (Frozen)
Bone-in Chicken Cut-ups (Frozen)
Boneless Chicken Cut Ups (Frozen)
Marinated Products (Frozen)

Brown Eggs
Magnolia Cage-Free Brown Eggs 12s
Magnolia Egg-A-Day 7s

FRESH MEATS

Live Hogs

Wholesale Cuts
Pork
Hog Carcass
Boxed Primal Parts

Beef
- Beef Forequarters
- Beef Hindquarters
- Boxed Primal Cuts

Retail Cut Ups
- Monterey Primal Cuts (Pork, Beef)
- Monterey Meatshop Cut Ups (Pork, Beef) - cut and packed in the Monterey Meatshops
- Montana Cut Ups (Pork, Beef)

Marinated
- Monterey Meatshop Timplados (Pork, Beef) - produced in the Monterey Meatshops
- Pork BBQ Tenderloin Skewers
- Monterey Exclusives (Baby Back Ribs, American Style Ribs, Premium Beef Tapa)
- Montana Ready-To-Cook Marinated Meats (Pork, Beef)

FEEDS

Animal and Aquatic Feeds

Hog Feeds
- B-MEG Premium Hog Pellets
- B-MEG Expert Hog Feeds
- B-MEG Expert Premium
- B-MEG Expert Complete
- B-MEG Mega Mash
- B-MEG Essential Hog Feeds
- B-MEG Essential Performix
- B-MEG Bonanza Hog Pellets
- Jumbo Hog Feeds
- Pureblend Hog Pellets

Poultry Feeds
- B-MEG Premium Layer
- B-MEG Essential Layer
- B-MEG Expert Layer
- B-MEG Layer
- B-MEG Integra
- B-MEG Integra Powermaxx
- B-MEG Derby Ace
- B-MEG Alertone Mixed Grains
- B-MEG Fighting Cock Pellets
- B-MEG F-Series
- B-MEG Pigeon Pellets
- B-MEG Premium Broiler
- B-MEG Essential Broiler
- B-MEG Essential Broiler Breeder
- B-MEG Broiler
- B-MEG Broiler Starter
- B-MEG Broiler Finisher
- B-MEG Chick Grower
- B-MEG Duck Feeds
- Jumbo Pullet Developer Pellets
- Pureblend Broiler
- Pureblend Special Broiler
- Pureblend Layer
- Pureblend Duck Feeds

Aquatic Feeds
- B-MEG Super Premium Floating Feeds
- B-MEG Premium Tilapia Pellets
- B-MEG Premium Bangus Pellets

B-MEG Premium Fish Feeds
B-MEG Aquaration Feeds
B-MEG Expert Fish Feeds
B-MEG Prize Catch Floating Feeds
B-MEG Nutrifloat Floating Feeds
Pinoy Sinking Pellets
Pinoy Floating Feeds

Others
Pureblend Quail Feeds
B-MEG Horse Feeds

Concentrates
B-MEG Hog Concentrate
B-MEG Cattle Concentrate
B-MEG Pig Protein Concentrate
B-MEG Essential Hog Concentrate
B-MEG Essential Goat Concentrate
B-MEG Essential Cattle Concentrate

Animal Health Care Veterinary Medicines

Anti-infective - Water Soluble Preparations
Amoxil-V
Cephalexin 20%
Chlortetracycline 25%
Cotrimoxazole 48%
Doxa-V
Dox-C-Lin Gold Premium
B-MEG Integra Dox-C-Trin Gold Premium
B-MEG Integra Trimax
B-MEG Integra CXD-3

Supplement/Vitamins - Water Soluble Preparations
Elec-V
Multi-V
Multivitamins + Minerals + Amino Acids
Vitamin B-Complex (Broiler)
B-MEG Integra Electromax
B-MEG Integra Multimax

Anti-Inflammatory/Anti-pyretic - Water Soluble Preparation
Para-V

Dewormer/Anti-nematodal - Water Soluble Preparations
Bulatigok SD
Bulatigok

Injectables
Alamycin LA
Respiclear
Iron-Vet
Norovit

Oral Preparations
B-MEG Integra Trifast
B-MEG Integra Power Edge

Anti-infective - Liquid Preparations
Norfloxacin 20%

- Doxa-V Plus
- Cotri-V Plus
- Respitil

Supplement/Vitamins - Liquid Preparations

- Vitamin ADE
- Vitamin E 60%
- Multi-V
- Multi-V Plus
- B-MEG Integra Multimax D5
- Pneumo Care

Anti-infective - Feed Premix

- Tiamulin 10%

Supplement/Vitamins - Feed Premixes

- B-MEG Essential Swine Vitamin
- B-MEG Essential Swine Mineral
- B-MEG Essential Poultry Vitamin
- B-MEG Essential Poultry Mineral

Disinfectants

- Protect Plus
- Protect Plus Gold
- Aqua Care
- Calci Clear

Others

- B-MEG Integra Feather Shine Shampoo

Pet Care

- Dog Food
  - Nutri Chunks Hi-Protein Puppy Lamb
  - Nutri Chunks Optimum Adult Beef
  - Nutri Chunks Optimum Adult Lamb
  - Nutri Chunks Coatshine Adult Salmon
  - Nutri Chunks Maintenance Adult Beef

San Miguel Mills, Inc.

Hard Wheat Flour

- Emperor
- King
- Pacific
- Monarch
- Harina de Pan de Sal

Soft Wheat Flour

- Queen
- Countess
- Red Dragon
- Alpha

Specialty Flour

- Baron All-Purpose Flour
- Baron Siopao Flour
- Princess Cake Flour
- Royal Special Noodle Flour
- Golden Wheat Whole Wheat Flour (Fine and Coarse)
- Gallant All Purpose Flour

Customized Flour
- Pinoy Tasty Flour
- Royal Premium Noodle Flour
- Prince Miki Flour
- Prince Noodle Flour
- Prince Wrapper Flour

Premixes
- Bake Best Brownie Mix
- Bake Best Crinkle Mix
- Bake Best Puto Mix
- Bake Best Butter Cake Mix
- Mix & Fry Yeast Raised Doughnut Mix

Bakery Ingredients
- Bake Best Bread Improver
- Bake Best Gold Bread Improver
- Bake Best Platinum Bread Improver
- Bake Best Baking Powder
- Emperor's Best Instant Yeast

The Purefoods-Hormel Company, Inc.

REFRIGERATED MEATS

Hotdogs
- Purefoods Tender Juicy Hotdog (Classic, Jumbo, Kingsize, Cocktail, Cheesedog, Chick 'n Cheese, Chick 'n Bacon, Chick 'n Chili, Giant, Cheesy Pizza, Cheesy Spaghetti, Balls, Cheeseballs, Cheesy Corndog)
- Purefoods Star Hotdog (Classic, Cheezeedog, Chick n' Tasty, Cheeseballs)
- Higante Hotdog (Classic, Cheesedog, Chicken, Chicken and Cheese)
- Purefoods Deli Franks (German, Angus Beef, Turkey, Cheese, Spicy Pepper Beef)
- Purefoods Deli Sausages (Bockwurst, Schublig, Hungarian Cheese, Breakfast Sausage)
- Purefoods Beefies Hotdog (Regular, Lots-a-Cheese)
- Vida Hotdog
- Bongga Hotdog

Breaded, Battered and Fried
- Purefoods Chicken Nuggets (Chicken Breast Nuggets, Crazy Cut Shapes, Letters & Numbers, Bacon & Cheese, Cheese Overload, Drummets, Chicken Popcorn, Spicy Chicken Nuggets)
- Purefoods Fish Nuggets
- Purefoods Shrimp Tempura
- Purefoods Tail-On Shrimp
- Purefoods Squid Rings
- Purefoods ChickenKatsu
- Purefoods Pork Katsu
- Purefoods Chicken Karaage
- Purefoods Crispy Fried Chicken
- Star Chicken Nuggets
- Star Burger Bites

Bacon
- Purefoods Bacon (Honeycured, Honey Roast, Spicy Barbecue, Maple-flavored, Bacon Crumble, Beef Bacon)
- Hormel Black Label Bacon
- Vida Bacon

Sliced Hams
- Purefoods Ham (Sweet, Cooked, Chicken)
- Purefoods Fiesta Ham Slices

Star Sweet Ham
Vida Sweet Ham

Whole Hams
Purefoods Fiesta Ham (Whole, Pre-Sliced, Bone-in, Chicken)
Purefoods Jamon de Bola
Purefoods Chinese Ham
Purefoods Brick Ham
Purefoods Pear-Shaped Ham
Jamon Royale

Ready-to-Cook/Ready-to-Eat
Monterey Sisig
Purefoods Chicken Teriyaki, Chicken Balls
Ready to Eat Viands (Kare Kare, Bistek Tagalog, Lechon Paksiw, Pork Binagoongan, Pork Humba, Beef Caldereta, Beef Pares, Bicol Express, Chicken Afritada, Callos, Korean Beef Stew, Dinuguan, Chicken Pastel, Chicken Curry, Pininyahang Manok, Chicken Caldereta, Beef Mechado)
Purefoods Sauces (Spaghetti Sauce)

Native Line
Purefoods Tocino (Classic, Sweet Chili, Chicken)
Purefoods Longanisa (Hamonado, Recado, Chicken)
Purefoods Tapa (Beef, Chicken, Sweet & Spicy Beef, Hot & Spicy Chicken)

Plant-Based
Veega Meat Free Line (Burger Patty, Sausage, Giniling, Nuggets, Balls)
Veega Meat Free RTE Line (Bulgogi, Spicy Soy Garlic Balls)
Veega Vegan Line (Adobo Flakes, Tapa, Tocino)

GROCERY PRODUCTS

Corned Meats
Purefoods Corned Beef (Classic, Hash, Chili Garlic, Hot & Spicy, with Chunks)
Chunkee Corned Beef
Star Corned Beef (Regular, Chunky Cheese)
Star Carne Norte
Bongga Carne Norte (Regular, Hot & Spicy)

Luncheon Meats
Purefoods Luncheon Meat (Classic, BBQ, Chili Pepper, Bacon, Cheese)
Purefoods Chinese Style Luncheon Meat
Purefoods Chicken Luncheon Meat
Star Beef Loaf
Star Meat Loaf
Bongga Beef Loaf

Sausages
Purefoods Vienna Sausage
Purefoods Chicken Vienna Sausage

Canned Viands
Purefoods Sizzling Delights (Sisig, Chicken Sisig)
Ulam King (Caldereta, Menudo, Mechado)

Canned Chicken
Purefoods Chicken (Broth, Afritada, Homestyle-Curry, Hot & Spicy)
Purefoods Corned Chicken (Classic, Hot & Spicy)

Specialty Grocery Products
Purefoods Liver Spread
Purefoods Spaghetti Meat Sauce
Purefoods Chorizo Filipino

Magnolia, Inc.

BUTTER, MARGARINE AND CHEESE

Butter and Margarine
Magnolia Gold Butter (Salted, Unsalted) and Magnolia Gold Spreadable
Magnolia Butter-licious! (Salted and Unsalted)

Refrigerated Margarine
Dari Creme (Classic, Buttermilk) and Dari Creme Spreadable
Buttercup
Baker's Best

Non-Refrigerated Margarine
Star Margarine (Classic, Sweet Blend, Garlic, Chocolate)
Delicious Margarine
Magnolia Non-Refrigerated Margarine (Food Service)
Primex Shortening (Food Service)
Buttermilk NRM (Food Service)

Cheese
Magnolia Cheezee (Block, Spread, Squeeze - Cheddar, Pimiento, Milky White)
Daily Quezo
Magnolia Quickmelt
Magnolia Cheddar
Magnolia Cream Cheese (Block, Spread)
Magnolia Christmas Cheeseballs (Queso de Bola, Gold Edam) - Seasonal
Magnolia Food Service Cheese (Cheese Sauce, Filled Cheese, Cheesefood, Hi-Colored Cheese, Sharp Flavored Melting Cheese)

JELLY SNACKS AND DESSERTS
JellYace Fruiteez
JellYace Bites
JellYace Balls

MILK
Magnolia Chocolait
Magnolia Fresh Milk
Magnolia Low Fat Milk
Magnolia Full Cream Milk
Magnolia Non Fat Milk

SPECIALTY OILS
Magnolia Nutri-Oil Coconut Oil
Magnolia Nutri-Oil Palm Oil
Pure Oil
Cookbest Coconut Oil
Cookbest Canola Oil
Golden Fry Palm Oil

ALL-PURPOSE CREAM
Magnolia All-Purpose Cream

SALAD AIDS
Magnolia Real Mayonnaise
Magnolia Sandwich Spread

Magnolia Mayoriffic
Magnolia Creamy Chicken Spread

FLOUR MIXES
Magnolia Pancake
Magnolia All Purpose Flour
Magnolia Chocolate Cake Mix Collection
Magnolia Fast and Easy Bake Cake Mixes

ICE CREAM

Bulk Ice Cream
Magnolia Gold Label (Vanilla, Chocolate, Ube, Mango, Avocado, Avocado Macchiato, Double Dutch, Cookies & Cream, Rocky Road, Taro White Cheese, Tablea Yema, Ube Keso, Kesong Puti, Smores, Quadruple Dark Chocolate, Mango Dark Chocolate, Latte Choco Brownie, Choco Peanut Butter, Wintermelon Milk Tea

Frozen Novelties
Magnolia Spinner (Chocolate, Vanilla, Caramel,Hazelnut)
Magnolia Cookie Monster (Chocolate)
Magnolia Party Cups (Vanilla, Chocolate)
Magnolia Popsies (Orange Chill, Choco Cool)
Magnolia Ice Cream on Stick (Avocado, Kesong Puti, Taro White Cheese, Tablea Yema, Cookies & Cream)

San Miguel Gold Label (For Export)
SMGL Mellorine (Ube, Ube Keso, Macapuno Ube Swirl, Creamy Halo Halo, Mango, Avocado Macchiato)
SMGL Frozen Dessert (Ube, Macapuno Ube Swirl, Creamy Halo Halo, Mango)
SMGL Ice Confectionery (Ube, Ube Keso, Macapuno Ube Swirl, Creamy Halo Halo
Magnolia Gold Label (Ube, Ube Keso, Macapuno Ube Swirl,Cream Halo Halo)

SNACKS

Traditional
Prima Toast
Egg Cracklet
Mamon Tostado
Broas
Puto Seko
Camachile

Cookies
Pasencia
Pasencia White
Oat Cookies

Crackers
Graham Crackers
Graham Cracker Sandwich
Crushed Graham
Supreme Flakes

Assorted
Holiday Mix
Famous Five

CANNED TUNA
San Miguel Del Mar Tuna Chunks in Water
San Miguel Del Mar Tuna Chunks in Oil

San Miguel Super Coffeemix Co., Inc.

Coffee

San Mig Super Coffee Regular 3-in-1 Coffeemix - Original
San Mig Super Coffee Sugar Free 3-in-1 Coffeemix - Mild, Original and Strong
San Mig Super Coffee - Barako
Essenso 3-in-1 Micro Ground Coffee
San Mig Super Coffee - Sugar Free White
San Mig Crema White Coffee
Moccona Instant Pure (Espresso, Hazelnut, Medium Roast, Dark Roast, Indulgence)
Moccona Cafe Style Coffee Mix (White Espresso, Latte and Cappuccino)
L'OR Capsules (Profondo, Ristretto, Supremo, Origins India, Origins Colombia, Origins Papau New Guinea)

San Miguel Foods, Inc. - Great Food Solutions (GFS)

House Brands, Customized Products, and Traded Products

Ready to Eat/Fully Cooked

Cook Express (Beef Tapa, Chili Con Carne, Chicken Chunks in Brine, Chicharon Bulaklak, Corned Beef Brisket, Kare Kare, Bistek, Lechon Paksiw, Callos, Korean Beef Stew, Dinuguan, Chicken Pastel, Chicken Hardinera)
Customized Fully Cooked Chicken Cut-ups
Military Ready to Eat Meals

Marinated Meats

Chef's Selection Chicken Tocino

Burger Patties & Meatballs

Chef's Selection (Angus Burger Patty, Quarter Pounder Burger Patty, Sausage Patty, Chorizon Hamonado Patty, Value Beef Burger, Value Chicken Burger
Customized (Beef Patty, Value Burger, Meatballs)

Breaded, Battered, & Fried

Cook Express (Chicken Karaage, Corndog, Korean Corndog, Breaded Chicken Bites, Bacon Kroketas, Cordon Bleu)
Chicken Tenders
Chicken Fillet
Customized BBF Hot Chicks

Bakery Products

Crunchy (Pan Ala King, Pan Spicy Beef, Pan Tuna Melt)
Sisig Kariman

Cheese

Alba Grated Parmesan
Sliced Cheese
Mozzarella Cheese

Olive Oil

La Pedriza (Olive Oil Pomace,Olive Oil Pure, Olive Oil Extra Virgin)

Purefoods Customized Pizza Toppings

Magnolia Customized Cheeses

Customized Flours

Foodcrave Marketing Inc.

Treats
- Baked Breads
- Ready-to-Eat Products
- Ice Cream
- Snacks and Beverages
- Edible Grocery Products

Chick 'n Juicy
- Sweet Roast Chicken
- Garlic Roast Chicken
- Sweet Roast Chicken Quarter Meal
- Garlic Roast Chicken Quarter Meal
- Sweet Roast Chicken Half
- Garlic Roast Chicken Half
- Big 'n Crunchy (Fried Chicken Meal, Drumstick)
- Crispy Chicken Skin
- Flavored Chicken Skin (Sour Cream)
- Flavored Chicken Skin (Salt and Vinegar)
- Spicy Neck

P.T. San Miguel Foods Indonesia

Bakso (Meat Balls)
- Farmhouse (Beef)
- Vida (Beef)

Sausages
- Farmhouse (Sosis Sapi Goreng, Sosis Sapi, Beef Cocktail, Beef Frankfurter, Premium Beef, Premium Cheese, Premium Chicken)
- Vida (Chicken, Beef)

Cold Cuts and Burger
- Farmhouse (Smoked Beef, Beef Burger)
- Purefoods Choice (Chicken Fajita Chunk, Chicken Luncheon, Minced Beef BBQ, Minced Chicken Teriyaki, Smoked Beef)

Customized Products

San Miguel Pure Foods (VN) Co., Ltd.

Value-Added Meats

- Le Gourmet (Smoked Lean Bacon, Smoked Bacon, Dam Bong Vai (ham), Cha Lua, Cha Bo, Gio Thu, Beef Ball, Pate, Hotdog Corn Dog, Hotdog, Chinese Sausage, Cocktail Sausage, Garlic Sausage, Beer Garden Sausage, German Sausage, Deli Sausage, BBQ Sausage, Smoked Sausage, Viet My Sausage, My Sausage, Black Pepper Sausage, Beef Topping, Italian Sausage, Meatball, Pepperoni, Spaghetti with Pasta)

- Purefoods (Tender Juicy Hotdog, Shrimp Tempura, Tail on Shrimp, Squid Rings)

Annex “E”

LIST OF SUPPLIERS OF MAJOR RAW MATERIALS

Beer and NAB Segment

Malt and Hops	Boortmalt Asia Pacific Pty. Ltd. Cofco Malt (Dalian) Co., Ltd. GDH Supertime Guangzhou Malting Company Limited Malterurop Malterurop Australia PTY LTD San Miguel (Baoding) Brewery Co. Ltd. Taiwan Hon Chuan Enterprise Co., Ltd
Corn Grits/Tapioca/Rice/Sugar/Starch	Cgrain Technology Co., Ltd (C059) Cagayan Corn Products Corp. Gusing Sur Agrarian Reform Hefei Longjie Food & Oil Co. Ltd. Limketkai Manufacturing Corporation Maicerias Españolas, S.A. All Asian Countertrade Inc. Southern Mindanao Commodities Chaodee Starch Guangzhou Yuhua Cereals and Oils Co., Ltd. My Tuong Joint Stock Co. Ricor Mills Corporation T P K Advance Starct Co., Ltd.
Packaging Materials	Bangkok Can Manufacturing Co., Ltd. Baosteel Can Making Vietnam Co Ltd Can Asia, Inc. Crown Beverage Cans Hong Kong Farmarindo Jaya PT. Double Paper Product Industries Guandong Huaxing Glass Co., Ltd. Heindrich Trading Corp Malinta Corrugated Boxes Indoplas Prima Karya Org (Foshan) Packaging Co., Ltd T.C.P. Industry Co., LTD (T089) PT Harno Prima Karya PT Karya Indah Multi PT Muliaprima Packing San Miguel Yamamura Packaging Corp. Siam Glass Industry Company Limited Westrock MWV Hong Kong Limited Zhangzhou Shengxing Pacific Packing Co. Ltd
Fuel	Petron Corporation Ecolab Philippines, Inc.

	SL Harbour Bulk Terminal Corporation Mabuhay Vinyl Corporation
Spirits Segment	
Alcohol	Shoalhaven Starches PTY LTD Raizen Trading S.A. Heindrich Trading Pte. Ltd. Kolmar Singapore Pte. Ltd. Tradhol Internacional SA. Distileria Bago, Inc. Thai San Miguel Liquor Co. LTD.
Molasses	E D & F Man Molasses B.V. Peter Cremer GMBH United Molasses Trading Ltd. Schuurmans & Van Ginneken Crystal Sugar Company Busco Sugar Milling Hawaiian-Philippine Company Central Azucarera De San Antonio All Asian Bioethanol Corporation
Glass Bottles	SMC Shipping and Lighterage Corp. San Miguel Yamamura Packaging Corp. Yantai City Charles Commerce Co. Ltd. Shandong Liquopac Co. Ltd.
Flavoring	Firmenich Asia PTE LTD Symrise Asia Pacific Pte Ltd. Givaudan Singapore Pte. Ltd. PT Mane Indonesia
Food Segment	
Breeder Stocks	Aviagen Group Cobb Vantress Inc.
Beef Carcass	D’Meter Fields Corporation
Soybean Meal and Feed Wheat	Louis Dreyfus Commodities Asia Pte Ltd. Bunge Agribusiness Singapore Pte. Ltd. GrainCorp Operations Limited
Wheat	Bunge Agribusiness Singapore Pte. Ltd. CHS Inc. Toyota Tsusho Asia Pacific Pte Ltd. ADM Asia Pacific Trading Pte Ltd
Imported Meat	Seara Singapore PTE. Ltd.
Cheese Curd and Anhydrous Milk Fat	Fonterra (SEA) Pte. Ltd.
Coffee Mixes	Jacobs Douwe Egberts RTL SCC SG PTE. LTD.

Annex "F"

LIST OF COLLECTIVE BARGAINING AGREEMENTS AND COLLECTIVE LABOR AGREEMENTS

I. Beer and NAB Segment

Domestic Unions	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Concerned Workers of SMC – Polo Brewery	260	1	June 30, 2022	July 12, 2025
SMBI Employees Union (SMBIEU) – PTGWO (Monthlies – Polo)	84	1	June 30, 2022	June 30, 2024
San Fernando Brewery Employees Union (SFBEU) –(Dailies)	307	1	Feb. 15, 2023	Feb. 15, 2025
San Miguel Brewery Inc. Employees Union (SMBIEU-SFB)-Monthlies	76	1	Dec. 31, 2022	Dec. 31, 2024
GMA-Monthlies Employees Union – GMAEU-PTGWO	60	1	June 30, 2022	June 30, 2024
San Miguel Brewing Group- Bacolod Brewery Employees Union (SMBG-BBEU) (Dailies)	80	1	July 31, 2022	Apr. 27, 2024
Philippine Agricultural, Commercial and Industrial Workers Union-Trade Union Congress of the Philippines (PACIWU-TUCP) (Bacolod Monthlies)	46	1	Oct. 31, 2022	Oct. 31, 2024
Kahugpongan Sa Ligdong Mamumu-O (KLM) (Dailies)	140	1	Dec. 31, 2023	Dec. 31, 2025
San Miguel Davao Brewery Employees Independent Union (Dailies)	114	1	Nov. 30, 2024	Nov. 30, 2022
	1167	9		

International Unions					Period of CLA	
Country	Installation	Name of Union / Org representing employees	No. of Members	No. of CLAs	Start	Expiration
Vietnam	San Miguel Brewery Vietnam Limited	SMBVL Trade Union is under the supervision of Trade Union of the Khan Hoa Industrial & Economic Zone, Khan Hoa Province, Vietnam	**108**	1	Jan 1, 2021	Dec 31, 2022
Indonesia	PT Delta Djakarta Tbk	PTD Trade Union is a member of the Cigarette, Tobacco, Food & Beverage Workers Union of Indonesia (National Coverage)	**203**	1	April 11, 2020	June 30, 2022
China/ Hong Kong	San Miguel (Guangdong) Brewery Co. Ltd.	SMGB Trade Union Committee	**230**	1	June 25, 2019	June 24, 2022

II. Spirits Segment

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
GSMI - Mandaue Plant (Dailies) - GSMI - FREEWAS Daily Paid Employees Union	24	1	December 31, 2021	December 31, 2023
GSMI - Cabuyao Plant (Dailies) - United Independent Union of GSMI-Cabuyao Plant	79	1	December 31, 2023	December 31, 2022
GSMI - Sta Barbara Plant (Dailies) – GSMI Sta. Barbara Daily-Paid Workers Independent Union	74	1	December 31, 2022	December 31, 2021
GSMI - Sta Barbara Plant (Monthlies) - La Tondeña Distillers Independent Workers Union (LATODIWU)	21	1	December 31, 2022	March 31, 2022
Distilleria Bago Inc. (Monthlies) - Distileria Bago Employees Union - Congress of Independent Organizations - (CIO - DBEU)	89	1	December 31, 2022	December 31, 2021
	287	**5**		

III. Food Segment

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Magnolia Inc. (Dailies) Progressive Workers' Union - IBM Local 47 KMU (PWU- IBM KMU)	168	1	February 28, 2023	February 28, 2025
San Miguel Foods Inc. (GMA Monthlies)- SMFI Employees Union (SMFIEU) - PTGWO	107	1	December 31, 2022	October 22, 2026
San Miguel Foods Inc. - South Luzon SMFI Poultry (Monthlies) - Magnolia Poultry Employees Union - PTGWO	26	1	December 31, 2022	June 30, 2026
San Miguel Mills, Inc. - Mabini Batangas Flour Mill Employees Union (Monthlies) - Purefoods Flour Mill Employees Union - (PFMEU)	41	1	December 31, 2022	July 31, 2022
	342	**4**		

International Unions			No. of Members	No. of CLAs	Period of CLA	
Country	Installation	Name of Union / Org representing employees			Start	Expiration
Vietnam	San Miguel Pure Foods Vietnam Co. Ltd.	Trade Union Foundation of San Miguel Pure Foods Vietnam (SMPFVN)	258	1	January 1, 2020	December 31, 2021
			258	**1**		

ANNEX "G"

San Miguel Food and Beverage, Inc.
Reported SEC Form 17-C for 2021

Date Reported	Subject
February 4, 2021 via SENS https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(03Feb21_SBOD_mtg._re_FB_Cash_Div_._Dec_.)_.pdf	Item 9. Other Events At the special meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on February 3, 2021 via video conference, the Board approved the declaration of cash dividends to shareholders of the Company as follows: Common Shares (FB) Amount: P0.40 per share Record Date: February 18, 2021 Closing of Books: February 19 to 23, 2021 Payment Date: March 3, 2021 Earlier in the afternoon, the non-executive directors held a meeting via video conference with the external auditor of the Company and heads of the internal audit, compliance and risk functions, without any executive director present.
February 9, 2021 via SENS https://www.smfb.com.ph/files/reports/SMFB_Press_Statement_on_Monterey_disengagement_(08Feb21).pdf	Item 9. Other Events Please see attached press statement relating to San Miguel Food and Beverage, Inc.'s subsidiary, San Miguel Foods, Inc., entitled "SMC rationalizes Monterey business to boost smallholder farming, biosecurity practices".
March 11, 2021 via SENS https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(10Mar21_Matters_approved_at_the_BOD_mtg.)_.pdf	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on March 10, 2021 via video conference: A. Upon the endorsement of the Audit Committee, the Board approved (1) the audited consolidated financial statements of the Company as at and for the year ended December 31, 2020 (the "2020 Audited Financial Statements"), and the submission to the SEC and the PSE of the Annual Report of the Company (or SEC Form 17-A), including the 2020 Audited Financial Statements, as well as the Sustainability Report as prescribed under SEC Memorandum Circular No. 4, series of 2019; and (2) the Company's 2020 Consolidated Audit Plan and Outsourcing Plan of the Internal Audit Group.

	B. The Board declared that the Annual Stockholders' Meeting of the Company will be held on June 2, 2021, Wednesday, 2:00 p.m., via livestream. In this connection: (i) The record date for the stockholders entitled to vote at the said meeting is May 3, 2021; (ii) The stock and transfer books will be closed from May 4 to 10, 2021; (iii) The deadline for submission of proxies is on May 19, 2021; and (iv) The validation of proxies will be on May 26, 2021. C. The Agenda of the Annual Stockholders' Meeting shall be as follows: 1. Certification of Notice and Quorum 2. Approval of the Minutes of the Annual Stockholders' Meeting held on June 24, 2020 3. Presentation of the Annual Report and Approval of the 2020 Audited Financial Statements 4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers 5. Appointment of External Auditor for 2021 6. Election of the Board of Directors 7. Other Matters 8. Adjournment
March 11, 2021 via SENS https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(10Mar21_Matters_approved_at_the_BOD_mtg.)_.pdf	Item 9. Other Events Please see attached press release entitled "SMFB DELIVERS STRONG H2 RESULTS, ON TRACK TO PROFITABLE GROWTH".
May 5, 2021 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(05May21_Matters_approved_at_the_BOD_mtg.)_.pdf	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on May 5, 2021: A. Upon the endorsement of the Audit Committee, the Board approved the submission of the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the period ended March 31, 2021, to the Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE), and the Philippine Depositary & Exchange Corp. (PDEx). B. Upon the endorsement of the Corporate Governance Committee, the Board approved the 2020 Integrated Annual Corporate Governance Report of the Company, which shall be submitted to the SEC, the PSE and the PDEx, as required, then posted on the Company's website within five business days thereafter, in accordance with the SEC and PSE rules.

<table>
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C. The Board approved the declaration of cash dividends to shareholders of the Company as follows:

Common (FB) Shares

Amount: P0.40 per share
Record Date: May 20, 2021
Closing of Books: May 21 to 25, 2021
Payment Date: June 4, 2021

D. The Board deliberated on the results of the assessment of the members of the Audit Committee, the Related Party Transactions Committee, the Board Risk Oversight Committee, and the Corporate Governance Committee, on the performance of the said Committees for the year ended December 31, 2020.

The Board further deliberated on the results of the assessment of the directors of their individual performance, as well as that of the collective Board, the Board Committees, the President of the Company, and the Board's relationship with management, for the year ended December 31, 2020.
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May 5, 2021
via email at
ictdsubmission@sec.gov.ph

https://www.smfb.com.ph/files/reports/SMFB_1Q21_PR_(SMFB_RETURNS_TO_PROFITABILITY_IN_Q1,_NET_INCOME_UP_66)1.pdf
</td>
<td>
Item 9. Other Events

Please see attached press release entitled "SMFB RETURNS TO PROFITABILITY IN Q1, NET INCOME UP 66%".
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June 2, 2021
via email at
ictdsubmission@sec.gov.ph
and SENS on June 3, 2021

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(02Jun21_Results_of_ASM).pdf

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(02Jun21_Results_of_Orgl_BOD_mtg.)_.pdf

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(02Jun21_Appointment_of_MVNazario_as_LID).pdf
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Item 9. Other Events

Please be informed that at the Annual Meeting of Shareholders (the "ASM") and Organizational Meeting of the Board of Directors (the "Board") of San Miguel Food and Beverage, Inc. (the "Corporation") both held on June 2, 2021:

1. Upon the favorable endorsement of the Corporate Governance Committee, the following directors were duly elected at the ASM, with the respective number of shares held by each in the Corporation as of June 2, 2021:

<table>
<tr><th>Name of Owner</th><th>Title of Class</th><th>Amount and Nature of Ownership</th><th>Total No. of Shares</th></tr>
<tr><td>Ramon S. Ang</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td rowspan="2">Francisco S. Alejo III</td><td>Common</td><td>10 (Direct)</td><td rowspan="2">230,010 (0.00%)</td></tr>
<tr><td></td><td>230,000 (Beneficial)</td></tr>
<tr><td>Roberto N. Huang</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Emmanuel B. Macalalag</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Ferdinand K. Constantino</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
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Aurora T. Calderon	Common	10 (Direct)	10 (0.00%)
Joseph N. Pineda	Common	10 (Direct)	10 (0.00%)
Menardo R. Jimenez	Common	10 (Direct)	10 (0.00%)
Ma. Romela M. Bengzon	Common	10 (Direct)	10 (0.00%)
Francis H. Jardeleza	Common	10 (Direct)	10 (0.00%)
John Paul L. Ang	Common	10 (Direct)	10 (0.00%)
Minita V. Chico-Nazario	Common	10 (Direct)	10 (0.00%)
Ricardo C. Marquez	Common	10 (Direct)	10 (0.00%)
Cirilo P. Noel	Common	10 (Direct)	10 (0.00%)
Winston A. Chan	Common	10 (Direct)	10 (0.00%)

2. Upon the favorable endorsement of the Audit Committee, stockholders representing at least majority of the outstanding common shares of the Corporation present in person or by proxy at the ASM, appointed R. G. Manabat & Co. as external auditor of the Corporation for the year 2021.

3. The following key officers were duly elected at the Organizational Meeting of the Board:

Ramon S. Ang	Vice Chairman, President and Chief Executive Officer
Francisco S. Alejo III	Chief Operating Officer – Food
Roberto N. Huang	Chief Operating Officer – Beer
Emmanuel B. Macalalag	Chief Operating Officer – Spirits
Ferdinand K. Constantino	Treasurer
Ildefonso B. Alindogan	Vice President, Chief Finance Officer and Chief Strategy Officer
Ophelia L. Fernandez	Internal Audit Head of the Company and its Food Division
Alexandra B. Trillana	Compliance Officer, Corporate Secretary and General Counsel of the Company and its Food Division
Ma. Celeste L. Ramos	Assistant Corporate Secretary
Kristina Lowella I. Garcia	Assistant Vice President, Investor Relations Manager

Of such officers, the shareholdings of Messrs. Ang, Alejo, Huang, Macalalag and Constantino in the Corporation are mentioned above. The shareholdings of the other named officers as of June 24, 2020, are as below provided:

Name of Owner	Title of Class	Amount and Nature of Ownership	Total No. of Shares
Ildefonso B. Alindogan	N/A	N/A	0
Ophelia L. Fernandez	Common	500 (Beneficial)	500
Alexandra B. Trillana	N/A	N/A	0
Ma. Celeste L. Ramos	N/A	N/A	0
Kristina Lowella I. Garcia	N/A	N/A	0

In the same meeting, the following were elected to the Board Committees of the Corporation:

EXECUTIVE COMMITTEE

Ramon S. Ang	-	Chairman
Francisco S. Alejo III		
Roberto N. Huang		
Emmanuel B. Macalalag		

AUDIT COMMITTEE

Cirilo P. Noel (Independent)	-	Chairman
Ricardo C. Marquez (Independent)		
Winston A. Chan (Independent)		
Aurora T. Calderon		
Ferdinand K. Constantino		

RELATED PARTY TRANSACTIONS COMMITTEE

Winston A. Chan (Independent)	-	Chairman
Cirilo P. Noel (Independent)		
Minita V. Chico-Nazario (Independent)		
Ferdinand K. Constantino		

BOARD RISK OVERSIGHT COMMITTEE

Ricardo C. Marquez (Independent)	-	Chairman
Winston A. Chan (Independent)		
Minita V. Chico-Nazario (Independent)		
Menardo R. Jimenez		
Ferdinand K. Constantino		

CORPORATE GOVERNANCE COMMITTEE

Minita V. Chico-Nazario (Independent)	-	Chairman
Cirilo P. Noel (Independent)		
Ricardo C. Marquez (Independent)		
Menardo R. Jimenez		
Virgilio S. Jacinto	-	Advisor

Also in the same meeting, Justice Minita V. Chico-Nazario was appointed as the Lead Independent Director of the Corporation, in compliance with the new Code of Corporate Governance for Publicly-Listed Companies (the "CG Code").

Likewise in compliance with the CG Code and the Corporation's Policy on Multiple Board Seats as reflected in its Manual on Corporate Governance, the members of the Board were

	reminded of their fiduciary duty to notify the Board where he or she is an incumbent director before accepting a directorship in another company. Furthermore, the Board approved the depository banks, signing authorities and limits for corporate transactions of the Corporation, subject to amendment as the need arises, for approval at subsequent Board meetings.
June 2, 2021 via email at ictdsubmission@sec.gov.ph and SENS on June 3, 2021 https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(02Jun21_ASM_Canvassing_Results).pdf	Item 9. Other Events Please see attached copy of the Canvassing Results of the annual meeting of the stockholders of San Miguel Food and Beverage, Inc. held on June 2, 2021, 2:00 p.m., streamed live through: https://www.smfb.com.ph/stockholdersmeeting_2021. The Canvassing Results will also be uploaded in the Company's website and may be accessed at the link: http://www.smfb.com.ph/disclosures/l/minutes-of-annual-and-special-stockholders--meetings.
June 3, 2021 via email at ictdsubmission@sec.gov.ph and SENS on June 3, 2021 https://www.smfb.com.ph/files/reports/SMFB_News_Clarification-June_3_2021_SMFB_allots_P30-B_capex_mainly_for_feedmills_posted_in_Manila_Bulletin_(Online_Edition)v2.pdf	Item 9. Other Events Please see attached Clarification of news article entitled "SMFB allots P30-B capex, mainly for feedmills".
August 4, 2021 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(04Aug21_BOD_mtg._re_FB_Cash_Div_._Dec_.)_.pdf https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(04Aug21_matters_approved_at_the_BOD_mtg.)_.pdf	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on August 4, 2021: 1. Upon the endorsement of the Audit Committee, the Board approved the submission to the SEC and PSE of the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the period ended June 30, 2021. 2. Upon the endorsement of the Audit Committee, the Board approved the Audit Plan as at and for the year ending December 31, 2021, for the audit of the separate and consolidated financial statements of the Company and its subsidiaries, including audit strategies and approach, scope of work, audit focus areas and key audit matters, as presented by external auditor R.G. Manabat & Co. to the Audit Committee. Further, the Board authorized management to negotiate and agree on the audit fees payable to the external auditor based on the approved Audit Plan.

	3. The Board approved the declaration of cash dividends to shareholders of the Company as follows: Common Shares (FB) Amount: P0.40 per share Record Date: August 19, 2021 Closing of Books: August 20 to 25, 2021 Payment Date: September 3, 2021
August 4, 2021 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_Press_Release_08.04_.21_(SMFB_H1_PROFIT_UP_137_TO_P17_.4B_.)_.pdf	Item 9. Other Events Please see attached press release entitled "SMFB H1 PROFIT UP 137% TO P17.4B".
August 24, 2021 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificate_to_CG_Seminar_of_Mr._JPA_held_on_17Aug21)_.pdf	Item 9. Other Events We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc., Mr. John Paul L. Ang, Director, has attended the corporate governance in-house training conducted by Center for Global Best Practices on August 17, 2021 via Zoom. Attached is a copy of Mr. Ang's Certificate of Attendance.
September 9, 2021 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_SMFB_CG_Seminar_held_on_03Sep21).pdf	Item 9. Other Events We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), the following directors and officers of the Company have attended a corporate governance training seminar conducted by SGV & Co. on September 3, 2021 via Zoom.

Directors	**Date Attended**
1. Mr. Francisco S. Alejo III	September 3, 2021
2. Mr. Roberto N. Huang	September 3, 2021
3. Mr. Ferdinand K. Constantino	September 3, 2021
4. Mr. Joseph N. Pineda	September 3, 2021
5. Mr. Menardo R. Jimenez	September 3, 2021
6. Ms. Ma. Romela M. Bengzon	September 3, 2021
7. Justice Francis H. Jardeleza	September 3, 2021
8. Mr. Ricardo C. Marquez	September 3, 2021

<table>
<tr><td></td><td>
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<tr><td>9. Atty. Cirilo P. Noel
10. Mr. Winston A. Chan</td><td>September 3, 2021
September 3, 2021</td></tr>
<tr><td><u>Officers</u></td><td><u>Date Attended</u></td></tr>
<tr><td>1. Mr. Ildefonso B. Alindogan
2. Atty. Alexandra B. Trillana
3. Atty. Ma. Celeste L. Ramos
4. Ms. Kristina Lowella I. Garcia
5. Ms. Ophelia L. Fernandez</td><td>September 3, 2021
September 3, 2021
September 3, 2021
September 3, 2021
September 3, 2021</td></tr>
<tr><td><u>Other Attendees</u></td><td><u>Date Attended</u></td></tr>
<tr><td>1. Mr. Oscar R. Sañez, Jr.
2. Ms. Rita Imelda B. Palabyab
3. Mr. Daniel T. De Castro, Jr.
4. Ms. Florence P. Pavon
5. Mr. Jose Gabriel S. Cruz
6. Mr. Reginald I. Baylosis
7. Ms. Irene P. Pacheco
8. Ms. Charity Ann A. Chiong</td><td>September 3, 2021
September 3, 2021
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September 3, 2021</td></tr>
</table>

Attached are the copies of their Certificates of Attendance.</td></tr>
<tr><td>September 30, 2021
via email at
<u>ictdsubmission@sec.gov.ph</u>

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form17-C_(Certificate_to_CG_Seminar_of_Ms._ATC_held_on_23Sep21)_.pdf</td><td><u>Item 9. Other Events</u>

We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc., Ms. Aurora T. Calderon, Director, has attended the corporate governance training seminar conducted by SGV & Co. on September 23, 2021 via Zoom.

Attached is a copy of Ms. Calderon’s Certificate of Attendance.</td></tr>
<tr><td>October 1, 2021
via email at
<u>ictdsubmission@sec.gov.ph</u>

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_re_PT_SMFI1.pdf</td><td><u>Item 9. Other Events</u>

We advise that San Miguel Food and Beverage, Inc. (the “Company”) is rationalizing its processed meats business in Indonesia operating under PT San Miguel Foods Indonesia (“PT SMFI”), as the Company streamlines its businesses to focus on expansion in the Philippines. PT SMFI is a 75%-25% joint venture between the Company and PT Hero Intiputra. PT SMFI will cease operations effective October 31, 2021.</td></tr>
<tr><td>October 22, 2021
via email at
<u>ictdsubmission@sec.gov.ph</u></td><td><u>Item 9. Other Events</u>

We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food</td></tr>
</table>

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form17-C_(Certificates_to_CG_Seminar_of_EBM,_MVN,_VSJ_held_on_15Oct21).pdf	and Beverage, Inc. (the "Company"), Mr. Emmanuel B. Macalalag, Director, Chief Operating Officer – Spirits, Justice Minita V. Chico-Nazario, Independent Director, and Atty. Virgilio S. Jacinto, Advisor of the Corporate Governance Committee have attended the corporate governance training seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on October 15, 2021 via Zoom. Attached are the copies of their Certificates of Attendance.
November 5, 2021 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form17-C_(Certificate_to_CG_Seminar_of_Mr._RSA_held_on_29Oct21)_.pdf	Item 9. Other Events We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), Mr. Ramon S. Ang, Director, Vice Chairman, President and CEO of the Company, has attended the corporate governance training seminar conducted by Center for Global Best Practices on October 29, 2021 via Zoom. Attached is a copy of Mr. Ang's Certificate of Attendance.
November 10, 2021 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(10Nov21_BOD_mtg._re_FB_Cash_Div_._Dec_.)_.pdf https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(10Nov21_Matters_approved_at_the_BOD_mtg.)_.pdf	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on November 10, 2021: 1. The Board Risk Oversight Committee provided the Board with updates on the Enterprise Risk Management program of some operating subsidiaries of the Company. 2. Upon the endorsement of the Audit Committee, the Board approved the submission to SEC, PSE and PDEx of the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the period ended September 30, 2021. 3. The Board ratified the Executive Committee approval of the closure of the Company's majority owned and controlled subsidiary, PT San Miguel Foods Indonesia ("PT SMFI"), effective October 31, 2021, as previously disclosed. PT SMFI is a 75%-25% joint venture between the Company and PT Hero Intiputra. 4. The Board approved the declaration of regular and special cash dividends to shareholders of the Company as follows: Common Shares (FB) Amount: P0.40 per share regular cash dividend P0.10 per share special cash dividend Record Date: November 24, 2021 Closing of Books: November 25 to 29, 2021 Payment Date: December 10, 2021

	5. The Compliance Officer reported that the Company has engaged Good Governance Advocates and Practitioners of the Philippines (GGAPP), an organization of governance, ethics and compliance professionals, to conduct the 2021 performance assessment of the Board of Directors and key officers of the Company. GGAPP will be sending the directors a Board Evaluation Form, which is divided into five sections/criteria, namely, the Collective Board Rating, Board Committees, Individual Director's Self-Rating, Officers' Rating, and Overall Comments and Suggestions, with an explanation of the rating process. A copy of the form will be available in the Corporate Governance page of the Company's website, for reference. Moreover, the Office of the Compliance Officer will be sending the 2021 Self-Assessment Worksheets for the members of the Audit Committee, Board Risk Oversight Committee, Corporate Governance Committee and Related Party Transactions Committee to accomplish pursuant to their respective Charters. Copies of the worksheets will be available in the Corporate Governance page of the Company's website, for reference. The directors were requested to return the accomplished forms/worksheets on or before December 10, 2021. 6. The Board set the dates for the 2022 Board of Directors' and Committee meetings, as well as the Annual Stockholders' Meeting (ASM) of the Company. The ASM is scheduled on June 1, 2022, the first Wednesday of June, in accordance with the Company's By-laws. Stockholders who wish to propose the inclusion of additional items to the usual Agenda of the ASM and/or nominate candidates to the Board, may submit their proposals not later than January 31, 2022 to the Corporate Secretary at the 4th Floor, 100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City 1604, Metro Manila, for the consideration of the Chairman and the appropriate Board Committees.
November 10, 2021 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_Press_Release_10Nov21_(SMFB_Profits_Up_68_in_First_Nine_Months_of_2021).pdf	Item 9. Other Events Please see attached press release entitled "SMFB Profits Up 68% in First Nine Months of 2021".

ANNEX H: SUSTAINABILITY REPORT

Contextual Information

COMPANY DETAILS	
Name of Organization	**SAN MIGUEL FOOD AND BEVERAGE, INC.**
Location of Headquarters	100 E. Rodriguez Jr. Avenue (C5 Road) Barangay Ugong, Pasig City 1604 Metro Manila, Philippines
Location of Operations	San Miguel Food and Beverage, Inc. (SMFB) and its subsidiaries (collectively referred to as the “Group”) conduct business operations locally and internationally. The list of offices, production facilities, warehouses, and other facilities, including their locations, are detailed in SMFB’s 2021 Annual Report (SEC Form 17-A: Annex C – List of Properties)
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	This report discloses the sustainability performance indicators from SMFB’s operating divisions: San Miguel Brewery Inc. (SMB), Ginebra San Miguel Inc. (GSMI), and San Miguel Foods (SMF). Also included are subsidiaries of GSMI: Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., and Agricrops Industries Inc.; and subsidiaries of SMF: San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., and The Purefoods-Hormel Company, Inc. The coverage of this report is limited to the Group’s Philippine operations despite its products and brands having a global presence.
Business Model, including Primary Activities, Brands, Products, and Services	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. 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 *San Miguel Pale Pilsen*, *San Mig Light* and *Red Horse* for beer; *Ginebra San Miguel* for gin; *Magnolia* for chicken, ice cream

	and dairy products; *Monterey* for fresh and marinated meats; *Purefoods Tender Juicy* for hotdogs; *Purefoods* for other refrigerated, prepared, and processed meats and canned meats, ready-to-eat meals and seafood line; *Veega* for plant-based protein products; *Star* and *Dari Crème* for margarine; and *B-Meg* for animal feeds. SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to about 70 markets worldwide.
Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Ildefonso B. Alindogan Vice President, Chief Finance Officer and Chief Strategy Officer

Materiality Process

Following the principle of materiality, SMFB conducted a stakeholder-driven assessment to identify relevant sustainability issues that reflect the Group's significant economic, environmental, and social impacts.

The Group reviewed relevant standards for sustainability reporting such as the Sustainability Accounting Standards Board (SASB) Standards and the Global Reporting Initiative (GRI) Standards for Sustainability Reporting among others, to assist in determining additional topics that are material to its stakeholders.

Each primary operating division under SMFB held materiality sessions—initially with senior management committees, then with data handlers to identify sustainability topics most relevant to their respective businesses. Thereafter, topics common to the majority of the divisions were topics deemed material on the SMFB level. In addition, stakeholder concerns, which are best addressed through sustainability reporting, albeit only material to a certain division, were also deemed material.

The Sustainable Development Goals (SDGs) of the United Nations were also considered during the materiality assessment process to facilitate the alignment of the Group's business strategies with global sustainability priorities. SMFB has prioritized SDG 2, which aims to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture, as its main contribution area. SMFB recognizes that undernourishment impacts productivity, which then becomes a barrier to living a normal, healthy, and active life. With the growing demand for food, SMFB develops and produces food to meet the nutritional needs of Filipino families. SMFB also supports a number of other SDGs through its diverse operations.

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. Impacts, risks, opportunities, and management approach required by the Securities and Exchange Commission are done on a topic level as such disclosures often cut across several metrics

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure[1]	2021	2020	Units
Direct economic value generated	310,442	279,988	In M PhP
Direct economic value distributed:			
a. Operating costs, including payments to suppliers	168,315	161,503	In M PhP
b. Employee wages and benefits	14,882	13,042	In M PhP
c. Dividends given to stockholders and interest payments to loan providers	22,559	22,022	In M PhP
d. Taxes paid to the government	83,255	73,303	In M PhP
e. Investments in various communities (e.g., donations, corporate social responsibility (CSR) programs)	294	912[2]	In M PhP

[1] Figures can be cross-checked with the Company's 2021 Audited Financial Statement.
[2] Investments in various communities in 2020 was significantly higher than usual a result of SMFB's pandemic response, which included food donations to various communities and vulnerable sectors of society, as well as ethyl alcohol for disinfection to local government units, medical facilities, and other vital institutions.

Impacts and Risks

SMFB is a leading food and beverage company in the Philippines. The brands under which it produces, markets and sells its products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. 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 were lifted from SMFB's 2021 Audited Financial Statements. In 2021, the value generated by SMFB amounted to P310.44 billion, the economic value distributed amounted to P289.31 billion or 93.19%, and the economic value retained amounted to P21.14 billion or 6.81%.

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

Stakeholder	**% of Total Economic Value Distributed**
Operating costs, including payments to suppliers	54.22
Employee wages and benefits	4.79
Dividends given to stockholders and interest payments to loan providers	7.27
Taxes paid to the government	26.82
Investments in various communities (e.g., donations, CSR)	0.09

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

- Market risks
- Operational risks
- Environmental risks
- Credit risks
- Liquidity risks
- Socio-cultural risks
- Legal and Regulatory risks

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 SEC 17-A submission.

Stakeholders: Shareholders, investors, financial institutions, employees, suppliers and contractors, customers, government authorities, and local communities

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 other food and beverage products and other goods and services.

To compete, the Group continuously develops new and innovative products 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.

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 environmental risks, the Group has implemented various internal controls and policies to minimize such risks and potential effects thereof on its operations.

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.

Climate-Related Risks and Opportunities

Many of the Group’s products depend on raw materials, most of which 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 certain climate-related or weather conditions like droughts and flooding that have an effect on crop yield and quality. Shipping and other transport-related factors may also be affected by weather conditions.

Given these climate-related risks, the Group has implemented measures to ensure business continuity and product availability. These include strategic location of its production facilities and manufacturing networks located across the Philippine archipelago that are in close proximity to markets and could reduce dependencies on inter-island logistics in cases of typhoons. The Group's facilities also make use of modern technology, with some being climate-controlled as necessary to minimize the risks of temperature fluctuations.

Currently, the Group is studying how the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) could be incorporated into its current Enterprise Risk Management (ERM) structure. In the ERM structure, the Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. Although each of the operating divisions of the Company, SMB, GSMI and SMF, has appointed its own Chief Risk Officers who hold senior officer positions in their respective organizations, risk management functions are nonetheless performed at the management committee level of each operating subsidiary of the Group, as well as assumed by the Chief Operating Officers and heads of the corporate service units of each division. Managers are responsible for risk reporting and are further tasked to ensure compliance with all operational and financial controls within their spheres of responsibility and to implement internal controls as part of the total system to achieve the goals of the Group. Managers conduct regular evaluation of existing policies, systems and procedures to ensure that these remain relevant and effective to the current operating environment. Management also gives prompt and cooperative consideration to recommended improvement measures made by independent internal or external audit groups. SMFB's Board Risk Oversight Committee is regularly updated of the status of the ERM programs of the Group. However, the Audit Committee maintains oversight functions on internal controls, risk management and corporate governance compliance. The Audit Committee annually reviews and evaluates the effectiveness of the structure, and advises the Board of the Group's risk appetite and tolerance limits based on internal and external business environments.

Procurement Practices

<u>Proportion of spending on materials from local suppliers</u>

Disclosure	2021	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	59%	%

Impacts and Risks

SMFB believes that local procurement added value to communities across the country. In 2021, the Group's spending on local suppliers accounted for 59% of its total expenditures.

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, investors, financial institutions, employees, suppliers and contractors, government authorities, 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 it 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 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[1]

Disclosure	2021	2020	Units
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	100	100	%

have been communicated to			
Percentage of directors and management that have received anti-corruption training [2]	100	100	%
Percentage of employees that have received anti-corruption training[3]	100	100	%

[1] *SMFB's Code of Business Conduct and Ethics includes anti-corruption policies.*

[2] *SMFB Directors and Management separately attended Corporate Governance (CG) Seminars in 2021, which covered third party risk management, including anti-corruption among the topics.*

[3] *While employees did not attend trainings solely focused on anti-corruption, the Code of Business Conduct and Ethics, which covers anti-corruption policies, has been cascaded to all employees of the organization.*

Incidents of Corruption[1]

Disclosure	2021	2020	Units
Number of incidents in which directors were removed or dismissed for corruption	0	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	0	#
Number of incidents where contracts with business partners were terminated due to incidents of corruption	0	0	#

[1] *The Group 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. Accusations 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 our Code of Business Conduct and Ethics.

Stakeholders: Shareholders, investors, financial institutions, employees, suppliers and contractors, customers, government authorities, local communities, and the general public

Management Approach for Impacts and Risks

As a subsidiary of San Miguel Corporation (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. Anti-corruption is part of its Code of Business Conduct and Ethics, which is cascaded to all directors, management, employees, and business partners.

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 such 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" and 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 Code of Business Conduct and Ethics shall be reviewed from time to time as may be deemed necessary. With that in mind, there is an opportunity to review the code, as well as other 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 and without fear of negative consequences.

ENVIRONMENT

Resource Management

Energy Consumption Within the Organization[1]

Disclosure	2021	2020	Units
Energy consumption (renewable sources)[2]	494,544	565,618	GJ
Energy consumption (non-renewable sources)	2,609,787[3]	2,326,958	GJ
Energy consumption (gasoline)	4,186	2,167	GJ
Energy consumption (Fuel gas + LPG)	0	0	GJ
Energy consumption (diesel)	349,693	249,811	GJ
Energy consumption* (catalytic carbon, fuel oil, petroleum carbon, coal)	2,255,908	2,074,980	GJ
Energy consumption (electricity)	392,448,324	358,173,867	KWH
Energy reduction projects	187,378	103,106	GJ
Net Energy Consumption	4,517,145	4,182,002	GJ

[1] The energy consumption is expressed in gigajoules or GJ. Appropriate conversion factors from liters and/or kWh to GJ were used.
[2] The renewable energy source is from biomass and generated biogas used for steam production.
[3] Non-renewable energy consumption increased due to the inclusion of company vehicles in 2021.

Reduction of Energy Consumption

Disclosure	2021	2020	Units
Energy reduction (gasoline)	0	0	GJ
Energy reduction (LPG)	0	0	GJ
Energy reduction (diesel)	1,921	2,872	GJ
Energy reduction (fuel oil, coal)	161,367	65,882	GJ
Energy reduction (electricity)	6,691,461	9,542,274	GJ
Energy reduction (total)	187,378	103,106	GJ

Impacts and Risks

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

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 Distileria Bago, Inc.'s (DBI) distillery facility.

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, employees, government authorities, local communities, and the general public

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 facility uses rice husks as fuel for its boiler. Biogas from animal manure in farms is also used as replacements 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	2021	2020	Units
Water withdrawal	13,631,781	13,914,728	Cubic meters
Ground water	11,379,871	11,649,760	Cubic meters
Surface water	255,677	253,569	Cubic meters
Water district	1,957,655	1,961,539	Cubic meters
Produced water	34,511	39,041	Cubic meters
Rainwater	4,068	10,819	Cubic meters
Water discharged	9,825,645	9,392,064	Cubic meters

Water consumption	3,806,136	4,522,664	Cubic meters
Water recycled and reused	481,734	487,800	Cubic meters
Percentage water recycled and reused	3.53%	3.51%	%

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, employees, government authorities, local communities, and the general public

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.

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. SMFB 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 the facilities.

The Group also helps educate its business partners and its communities 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. In line 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[1]

Disclosure	2021	2020	Units
Materials by weight or volume Renewable	2,916,548,318	2,802,240,182	Kg
Non-renewable	54,650,119[2]	14,688,166	Kg
Recycled materials[3]	32.5	30.4%	%

[1] *Figures for 2020 have been restated as a result of improved data gathering and collection by the businesses.*
[2] *Increase was in line with a rebound in the volumes of the businesses.*
[3] *Recycled materials include recycled raw materials such as spent grains, spent yeast, rendered waste, etc. It also includes recycled packaging materials such as reused bottles, crates, and pallets of SMB and GSMI. This is then divided by the total of renewable and non-renewable materials (raw materials and packaging).*

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, management, employees, suppliers, government authorities, local communities, and the general public

Management Approach to Impacts and Risks

In line with the practices of its parent SMC, SMFB manages the raw materials consumption of the Group 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 are 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 another, 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 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 (whether in upland/watershed or coastal/marine)[1]

Disclosure	2021	2020	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas[2]	1	1	count
Habitats protected or restored[3]	12	12	Ha
International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations[4]	2	2	Species type

[1] *SMF and SMB do not have any confirmed biodiversity sites identified by the Department of Environment and Natural Resources.*
[2] *DBI under GSMI, is located along the coastal lines of Guimaras Strait.*
[3] *Mangrove Reforestation Area is along the coastal line of Guimaras Strait.*
[4] *Species inhabited in Guimaras Strait are categorized as (1) Critically Endangered by the IUCN Red List of Threatened Species 2018: Orcaella brevirostris (Irrawaddy Dolphin) (Iloilo-Guimaras Subpopulation); (2) Vulnerable by the IUCN Red List of Threatened Species 2018: Dugong dugon (Dugong).*

Impacts and Risks

Only one facility within SMFB's list of production sites was identified as a biodiversity site 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.

Stakeholders: Shareholders, employees, government authorities, local communities, and the general public

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 DAO 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.

Opportunities and Management Approach

Exploration of other conservation initiatives is in progress. GSMI is also in constant communication with the local government 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.

Environmental Impact

Air Emissions

GHG

Disclosure	2021	2020	Units
Direct (Scope 1) GHG Emissions	207,523	183,816	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	282,564	257,954	Tonnes CO2e
Emissions of ozone-depleting substances[1] (ODS)	N/A	N/A	Tonnes

[1] *We do not use Ozone Depleting Substances; hence we do not have any ODS emissions.*

Impacts and Risks

The Group recognizes that GHGemissions 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, employees, suppliers, government authorities, local communities, and the general public

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 (CO2) gas that is a by-product of fermentation in alcohol-making. This gas is further processed into liquid CO2 and 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.

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 emissions.

In addition, the Group 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	2021	2020	Units
NO_x	233,514	248,042	kg
SO_x	682,975	855,679	kg
Volatile organic compounds (VOCs)[1]	47,609	16,216	kg
Particulate matter (PM)	75,295	81,792	kg

[1] *The increase in VOCs mainly comes from vehicle fuel after their inclusion in the 2021 report.*

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.

Impacts and Risks

Air pollutants, such as NO_x and SO_x 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, employees, suppliers, government authorities, local communities, and the general public

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 its in 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 developments in air emissions management and technologies and integrating them into the Group's operations when feasible.

Solid and Hazardous Wastes

Solid Waste

<table>
<tr><th>Disclosure</th><th>2021</th><th>2020</th><th>Units</th></tr>
<tr><td>Total solid waste generated</td><td>241,736,962</td><td>240,583,8591</td><td>kg</td></tr>
<tr><td>Reused</td><td>1,697,047</td><td rowspan="2">226,600,252</td><td></td></tr>
<tr><td>Recycled</td><td>214,747,627</td><td>kg</td></tr>
<tr><td>Composted</td><td>6,905,551</td><td>4,894,895</td><td>kg</td></tr>
<tr><td>Landfilled</td><td>18,386,737</td><td>9,088,712</td><td>kg</td></tr>
<tr><td>Incinerated[1]</td><td>0</td><td>0</td><td>kg</td></tr>
</table>

[1] *SMFB does not dispose its waste through incineration, hence '0' is reflected.*

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, if production is inefficient, the amount of solid waste generated will increase further.

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 ramifications that may affect the Group's reputation.

Stakeholders: Local communities, employees, local government units, regulators, general public

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 another, 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 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	2021	2020	Units
Total weight of hazardous waste generated	407,044	540,379	kg
Total weight of hazardous waste transported	390,647	415,335	kg

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.

As a food and beverage company, SMFB's facilities generate hazardous wastes. Examples include:

- 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: Local communities, employees, local government units, regulators, general public

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 be 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 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.

<u>Effluents</u>

Disclosure	2021	2020	Units
Total volume of water discharges	9,825,645	9,392,064	cubic meters
Percent of water recycled	3.53	3.51	**%**

Impacts and Risks

The impacts of effluents can be far-reaching. If not properly treated, effluents can diminish the quality 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: Local communities, employees, regulators, shareholders, general public

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 of 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	2021	2020	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	1,030,000.00[1]	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0	Count

No. of cases resolved through dispute resolution mechanism	0	0	Count

[1] *East Pacific Star Bottlers Phils Inc., a subsidiary of GSMI, complied with the payment of the fine imposed by the DENR-Pollution Adjudication Board in the case entitled "In the matter of Water Pollution Control and Abatement Case vs. East Pacific Star Bottlers Phils Inc.", docketed as DENR-PAB Case No. 02-F00184-1. Details may be accessed through the following disclosure: https://www.ginebrasanmiguel.com/wp-content/uploads/2020/10/GSMI-SEC-FORM-17-C-2020.07.22-re-EPSBPI-DENR-PAB-Case.pdf. East Pacific Star Bottlers Phils Inc. has further secured from the DENR all permits and clearances for its operations after payment of the fine.*

Impacts and Risks

The Group remains compliant with all 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 risk of environmental damage that may affect the Group's operations and its surrounding communities.

Stakeholders: Management, employees, local communities, regulators, general public

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)
- 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

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.

SOCIAL

Employee Management

Employee Hiring and Benefits
Employee Data

Disclosure	2021	2020	Units
Total number of employees	8,817	8,782	#
a. Number of female employees	2,284	2,352	#
b. Number of male employees	6,533	6,430	#
Attrition rate[1]	5.3%	-1.4%[2]	rate
Ratio of lowest paid employee against minimum wage	1.2:1	1:1	ratio

[1] Attrition rate is computed as follows: (no. of new hires – no. of turnover) / (average of total no. of employees of previous year and total no. of employees of current year).
[2] The attrition rate for 2020 was distorted by the circumstances related to the COVID-19 pandemic. While number of turnovers was in line with historical average, there were significantly less new hires in 2020 due to limited operations in certain facilities on account of the varying levels of community quarantine imposed by the government.

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 2021	% of male employees who availed in 2021
SSS	Y	100%	100%
PhilHealth	Y	100%	100%

Pag-ibig	Y	100%	100%
Parental leaves[1]	Y	5.9%	5.1%
Vacation leaves[2]	Y	53.9%[3]	
Sick leaves	Y	31.5%	

[1] Maternity and paternity leaves are covered in this item.
[2] The Group also offers commutation of leave credits as a benefit for employees.
[3] Overall utilization rate is equal to the number of actual availed leaves over the summation of the number of entitled leaves per employee type.

Diversity and Equal Opportunity

Disclosure	2021	2020	Units
% of female workers in the workforce	25.9	26.8	%
% of male workers in the workforce	74.1	73.2	%
Number of employees from indigenous communities and/or vulnerable sector[1]	840[2]		headcount

[1] Vulnerable sector includes, 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).
[2] Figure limited to SMF since the other businesses have not tracked this disclosure. However, systems are being 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, SMFB still faces attrition risk and costs associated with attrition.

Stakeholders: Management, 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 our 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 shall not be 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 also 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.

Also 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 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

With the onslaught of the pandemic, the Group has provided means for employees and their dependents to have access to reverse transcription-polymerase chain reaction (RT-PCR) tests, vaccination and discounted products to tide them over during the various community quarantines imposed by the government.

The Group continually benchmarks with peers in the industry to ensure that its compensation and benefit 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	2021	2020[1]	Units
Total training hours provided to employees	107,184.5	66,026.6	hours
a. Female employees	33,295	26,021.64	hours
c. Male employees	73,889.5	40,004.97	hours
Average training hours provided to employees	12.2[2]	7.5	hours
a. Female employees	14.6	11.1	hours/employee
b. Male employees	11.3	6.2	hours/employee

[1] *Numerous training sessions were put on hold in 2020 due to the COVID-19 pandemic.*
[2] *Training programs resumed in 2021. To the extent possible, the programs were migrated to online platforms.*

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 as well as soft skills are improved.

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

Stakeholders: Employees

Management Approach to Impacts and Risks

It is SMFB's core value to "develop and motivate our 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.

The Group acknowledges the potential impacts that the pandemic has on its employees' well-being. The Group regularly organizes online programs that nurture wellness, such as sessions to understand mental health, yoga and dance classes, and sustainable gardening, among others. For spiritual well-being, there are recollections and Holy Masses available online. On personal finance, there are courses on financial well-being and investment opportunities.

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 and has adapted these to virtual or digital formats in light of the COVID-19 pandemic.

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	2021	Units
% of employees covered with Collective Bargaining Agreements	23.8	%
Number of consultations conducted with employees concerning employee-related policies	82	#

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, employees, business partners, regulators, investors, customers

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.

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 are raised on various issues are addressed and the employees who raise such concern are given feedback on the resolution of the issues.

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.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Occupational Health and Safety is a material topic to the Group, which ensures that all employees work in a healthy and safe environment in all of its facilities. While health and safety is every employee's right, a workplace free of illness and accidents can also lead to avoidance of illnesses and accidents that generate costs and lead to production disruptions or losses.

While the consolidated data of the Group is not yet available, systems are being put in place for data gathering in subsequent reporting cycles, including agreeing upon a common definition and understanding of terms to facilitate recording and reporting. Management approach of the potential impacts and risks is provided in the following section.

Labor Laws and Human Rights

Disclosure	2021	2020	Units
No. of legal actions or employee grievances involving forced or child labor	0	0	#

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 Code of Business Conduct and Ethics.

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	“We shall not use forced or involuntary labor.”
Child labor	Y	“We shall not use child labor.”
Human Rights	Y	“We shall provide a workplace free of harassment, discrimination, harsh and inhumane treatment.”

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. Ensuring occupational health and safety, 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, management, employees, business partners, regulators

Management Approach to Impacts and Risks

On Workplace Conditions

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; and

i. Annual conduct of fire and earthquake drills.

As early as January 2020, when news of the first COVID-19 cases in the Philippines were announced, the Group immediately introduced health protocols in its workplaces, such as mandatory wearing of face masks, installing hand washing stations, hand disinfection, and thermal scanning upon entering the facilities. Work-related foreign travel was also suspended and in-person meetings with non-SMC employees were limited.

Thereafter, other health protocols were introduced such as mandatory wearing of face shields in addition to the face masks, retrofitting offices and facilities with acrylic panels in common areas and meeting rooms to reduce the risk of transmission of the virus. The Group also periodically tests its employees for COVID-19 through San Miguel Foundation’s COVID-19 testing laboratory, Better World EDSA.

The Group further complies with government directives on maximum operational capacities to help prevent the spread of the virus, implementing work from home arrangements. For those employees whose presence at the offices or plants are necessary, shuttle bus services and loans for the purchase of bicycles to avoid public transportation where exposure to the virus is heightened, are made available.

Beginning the second quarter of 2020, food and accommodations were provided to employees who had to be housed onsite or within close proximity to avoid disruptions in plant operations. This was part of SMFB’s commitment of ensuring that there will be enough food for the country during the time of uncertainty.

In mid-2021, SMC kicked off its P1 billion nationwide vaccination program for its 70,000 employees, extended workforce and their families. Aside from the two doses, booster shots were also made available. To date, SMC continues to protect its workforce through regular antigen and RT-PCR testing for the COVID-19 virus.

On Labor Standards and Human Rights

SMFB's Code of Business Conduct and Ethics explicitly states that it shall not engage in forced/involuntary labor and child labor. The organization promotes 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 shall not be tolerated. Discrimination for reasons of race, age, gender, gender-orientation, ethnicity, disability, religion, political affiliation, union membership or marital status shall not be 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.

Supply Chain Management

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 has a Code of Business Conduct and Ethics which also extends 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	"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."
Forced labor	Y	"We shall not use forced or involuntary labor."
Child labor	Y	"We shall not use child labor. Employment of young workers shall only occur in accordance

		with the law.”
Human rights	Y	“We shall provide a workplace free of harassment, discrimination, harsh and inhumane treatment.”
Bribery and corruption	Y	“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.”

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 our Suppliers and other Business Partners, helping them grow with us, 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: Employees, shareholders, business partners, customers

Management Approach to Impacts and Risks

The Group has a portfolio of 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 business partners by sharing applicable knowledge, skills, and best practices.

Suppliers are screened though 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.

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 Impacts on Local Communities

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

Operations with significant impacts on local communities	Location	Vulnerable groups, if applicable*	Does the particular operation have impacts on indigenous people (Y/N)?	Community right and concerns of communities	Mitigating or enhancement measures
SMB, SMF, and GSMI Facilities	Nationwide	Not applicable	No	Local hiring, creating employment and business opportunities	Employment, Livelihood Projects
SMB's Carmen Mangrove Development Program with Fishermen's Associations	Carmen, Cebu	Not applicable	No known negative impact to indigenous people	The program aims to help propagate mangroves along the coastlines of Carmen, Cebu for fish habitat	The mangroves have contributed to sustainability of breeding areas for fish and shellfish. Fish catch has steadily improved throughout the years of engagement in Carmen's mangrove areas.
SMF's sustainable sourcing program of SMF's agri-based raw materials An initiative to develop a sustainable supply of	Present in 28 of 81 provinces nationwide, of which nine are part of the 20 poorest provinces (DA 2019). These are Eastern Samar, Leyte, Negros	Local farmers, indigenous people of Mindoro	No known negative impact to indigenous people	The farmers benefit from the ready market being offered by the program for their agricultural products, thus providing a sustainable source of livelihood	The Company enhanced the payment processing to a cycle period of 5 days compared to a regular 30 days payment period with other vendors or suppliers

strategic agri-based raw material at low-delivered cost while providing livelihood opportunities in the countryside. The program's main features include the following: 1) guaranteed market with purchase agreement; 2) guaranteed floor price or SMFI approved buying price at the time of delivery, whichever is higher; 3) planting material support for start-ups; and 4) technical support to guide the farmers on proper crop production management.	Oriental, Bukidnon, Lanao del Sur, Maguindanao, North Cotabato, Sultan Kudarat, and Zamboanga del Norte The program currently ongoing in the following provinces: LUZON 1. Apayao 2. Ifugao 3. Cagayan 4. Isabela 5. Nueva Ecija 6. Pampanga 7. Quirino 8. Tarlac 9. Batangas 10. Occidental Mindoro 11. Masbate 12. Camarines Sur VISAYAS 1. Cebu 2. Eastern Samar 3. Leyte 4. Negros Occidental 5. Negros Oriental MINDANAO 1. Zamboanga del Norte 2. Zamboanga del Sur 3. Lanao del Sur 4. Misamis Oriental 5. Bukidnon 6. Davao del Sur 7. Davao Occidental 8. North Cotabato 9. South Cotabato 10. Maguindanao				

	11. Sultan Kudarat				
SMF’s contract poultry growing	Region I (Pangasinan, Ilocos), Region II (Isabela), Region III (Zambales, Bataan, Tarlac, Nueva Ecija, Pampanga), Region IV (Batangas, Quezon, Cavite), Region V (Camarines Sur, Albay), and Region VI (Iloilo, Negros Occidental), VII (Cebu), VIII (Leyte), IX (Zamboanga), X (Cagayan de Oro, Misamis Occidental, Misamis Oriental), XI (Davao), SOCKSARGEN (Gen San), CARAGA (Butuan)	None	None	Generation of employment on a national scale In some areas, nearby communities complain of fly infestation	Addition of Larvicite in poultry feeds to eliminate fly larvae from affecting poultry farms Site qualification (site should be within the agricultural zone of the community and be 1 kilometer away from the nearest residential areas and farms). Proper farm management and maintenance. SMFI inspects compliance of farms with SMFI guidelines.
Piglet Dispersal Program Piglets are given to backyard farmers at a discounted price. Through a BMeg distributor in the area, the farmers are supplied with BMeg feeds and vet med products. Piglets are paid for upon	North Luzon, Eastern Visayas, Cotabato	Backyard hog raisers	None	Supports business continuity of backyard hog raisers affected by the African Swine Fever	Livelihood

harvest.					
Community Reseller Program *Magnolia Fresh Chicken* (with 18,026 resellers as of end-December 2021): For as low as P2,000 as initial capital, sellers are provided assorted chicken products to sell to their communities. San Miguel Foods provides coolers on loan for storage and can deliver daily *Prepared and Packaged Food*: (with 1,591 resellers as of end-Dec. 2021) Initial capital is P10,000 and includes Purefoods, Magnolia, and foodservice products	Nationwide	Displaced OFWs Solo parents Seamen Those who became jobless during pandemic OFW returnees Senior citizens	No	Provides an alternate source of livelihood for those who lost their jobs during the pandemic or are not earning enough to sustain their families	Continuous source of livelihood
GSMI, EPSBPI & DBI	Sta. Barbara, Pangasinan; Cabuyao, Laguna; Cauayan, Isabela; Ligao City, Albay; Mandaue City, Cebu; Bago City, Negros Occidental	Not applicable	No	Local hiring for applicable jobs	Health, Education, and Livelihood Projects Constant engagement with communities

** 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	2021	2020	Units
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 also potential risks such as pollution, graft and corruption, and habitat destruction.

Stakeholders: Local communities, regulators, employees, customers, suppliers and contractors

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 are 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 32 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: Consumers, regulators, shareholders, employees, business partners

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 inquires 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, employees, business partners, regulators, local communities, customers

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 also 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 the Food division, for example, the following have been put in place:

- Raw materials undergo a strict acceptance criteria and scrutiny by QA 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 placed in production areas and storage facilities

SMFB also relies on other methods to capture complaints from different channels, such as social media, phone call, email, customer care, and address these systematically and track 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 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 WHO'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, employees, business partners, regulators, local communities, customers

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 most on-premise channels have remained closed since March 16, 2020, and large gatherings are prohibited, 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

SMFB 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 its Food business, 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 its alcoholic beverages, it will likewise explore ways to further promote responsible drinking, especially in the marketing of its products.

<u>Customer Privacy</u>

Disclosure	2021	2020	Units
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 invests in market research surveys to gauge market reception of its products. Another example are the sales teams that communicate with 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, penalties, and could undermine the Group's reputation, and even disrupt certain aspects of business operations.

Stakeholders: Shareholders, employees, business partners, regulators, local communities, customers

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.

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

Opportunities and Management Approach

SMFB is committed to protecting the privacy of its customer data in accordance with the Data Privacy Act. 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

Disclosure	2021	2020	Units
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, employees, suppliers, business partners, regulators, local communities, customers

Management Approach to Impacts and Risks

The Group is guided by SMC's corporate policies on information security, which state that it should protect the confidentiality, integrity, availability and legality of SMC'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 SMC 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 have 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 the case of personal data breaches, a report shall include the facts surrounding an 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.

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 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_CodeofBusinessConductandEthics.pdf

Charter of the Board of Directors: 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/l/manual-on-corporate-governance

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

UN SUSTAINABLE DEVELOPMENT GOALS

Through the years, San Miguel Food and Beverage, Inc. through San Miguel Brewery Inc., San Miguel Foods, and Ginebra San Miguel Inc. contributes to the UN SDGs. Moving forward, the Group will continue to engage in initiatives where it can provide the most meaningful impacts. The following are some examples:

COMPANY	KEY PRODUCT AND SERVICES, SOCIETAL VALUE/CONTRIBUTION TO UN SDGs	POTENTIAL NEGATIVE IMPACT OF CONTRIBUTION	MANAGEMENT APPROACH TO NEGATIVE IMPACT
San Miguel Foods	In 2021, SMF produced almost 500,000 MT of fresh chicken and meats, more than 200,000 MT of prepared and packaged food and about 1.8M MT of flour. According to the Rapid Nutrition Assessment Survey conducted by the Food and Nutrition Research Institute (FNRI) in 2020, 62.1% of Filipino households experience 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. The National Nutrition Survey also conducted by FNRI in 2018-29 revealed the prevalence of Vit A deficiency and anemia among children, pregnant	SMF manufactures processed food such as hotdogs, nuggets and canned goods, in response to consumers' demand for convenience food. Such products contain sodium, which if taken in excess, could lead to high blood pressure, heart disease and stroke.	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 recommended by the World Health Organization of 2,000 mg/day. In 2020, the Company started the Sodium Reduction Program in an effort to lower the sodium content of its processed meats products.

	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. SMF products, specifically its flour, premixes, margarine and cheese products, have been fortified with Vit A and iron. Some of its processed meats have also been fortified with Vit. A, B1, B6, B12 and Vit D. Its dairy products are natural sources of calcium while its brown eggs have lutein, selenium and Vit A. SMF is the only company in the country with a wide array of protein rich products such as chicken, meats, processed meats and plant-based meats which can well meet these nutritional deficiencies. **This program is aligned with Sustainable Development Goals** 		
San Miguel Foods	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	Rendering of by-products causes air pollution.	The company uses enzymes to eliminate the odor

	wastewater treatment of organic load. This practice has reduced the amount of solid wastes entering the waste stream. **This program is aligned with Sustainable Development Goals** 		
San Miguel Foods	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. Promotion of plant-based meats is said to be more favorable for the environment as it shifts production away from animal raising which utilizes more land and emits GHG. Plant-based meats are also perceived to be healthier than conventional meats as these contain more fiber, iron, folate and has less saturated fat. **This program is aligned with Sustainable Development Goals**  	As these products 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.	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 recommended by the World Health Organization of 2,000 mg/day. In 2020, the Company started the Sodium Reduction Program in an effort to lower the sodium content of some of its processed meats products. SMF maintains that its products are safe to eat and that any food should be taken in moderation.
San Miguel Foods	**SEED Scholarship Program**	Parents of the students may not necessarily see the short-term value of	The goal of the program is to help families escape the cycle of poverty.

Sumilao, Bukidnon	Through the School for Experiential Education Development (SEED), scholarships are provided to underprivileged youth in Sumilao. Students are enrolled in a 2-year 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. For SY 2020-2021, there were 23 beneficiaries under the program. **This program is aligned with Sustainable Development Goals** 	the 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. 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.	Prior to the implementation of the program, the team conducted a consultation with the local government unit to determine the needs of the community for them to better appreciate the value of the program. Considering that Sumilao is an agriculture-based community where most of the population are dependent on agriculture as its main economic activity and as source of main income, the program was designed to help boost the farming industry and develop native products that will carry the brand of the province.
San Miguel Foods Contribution in San Miguel Group (SMG) Pandemic Food Response	**SMG Nationwide Food Donation Program and sustaining food assistance to poor communities** The largest, nationwide food donation drive in the company's history, initiated at the start of the pandemic, and sustained through the current year. Anticipating very early on that the strict lockdowns would affect a large segment of the population in Metro Manila and in other major cities and provinces that relied on	While the food donation program is the largest ever made by the company, it is temporary in nature, and will likely not be sustained in the same levels throughout the pandemic.	While the pandemic food donation program was done in immediate response to a severe lack of access to food during a critical period, SMC continues to pursue and invest in long-term solutions to food security. This includes continuing or expanding programs aimed at encouraging higher domestic production of raw materials,

	daily-paid work, SMC mounted a nationwide effort to give away its own food products to mitigate hunger in so many underprivileged communities. Partnering with local government units (LGUs), non-profit organizations, and charitable institutions in order to reach as many communities nationwide, SMC distributed over P516 million worth of canned food products, fresh and processed meats and poultry products, biscuits, nutri-bun breads, dairy products such as milk and cheese, spreads, coffee, and flour, to help boost food supplies throughout the country. Flour was given away to LGUs and local bakers for them to make into free or low-priced bread for the poorest communities. The company also developed its own “nutri-bun” a nutrient-packed, energy dense bread and distributed these to the poorest communities. SMC, through its Better World Tondo feeding center and food bank, also provided daily hot meals to locally-stranded individuals at the country’s largest ports and holding areas. SMC continues to deliver free nutri-buns to a number of underprivileged communities, utilizing its Petron gas stations as staging areas. **This program is aligned with Sustainable Development Goals**		engaging directly with farmer cooperatives to ensure more economic benefits for them, and increasing its production capacities and expanding the market for local food products.

San Miguel Foods Looc, Cebu Canduman, Cebu Macabug, Leyte Maliao, Iloilo San Jose, Negros Oriental Sirawan, Davao; Gracia, Misamis Oriental Orion, Bataan, San Vicente, Sumilao, Bukidnon	***Handog Kalusugan: Happy si Mommy, Malusog si Baby, a First 1,000 Days Project*** According to UNICEF, the first 1,000 days of life—between a woman's pregnancy and her child's second birthday—is a unique period of opportunity when the foundations for optimum health and development across the lifespan are established. The right nutrition and care during the 1,000-day window influences not only whether the child will survive, but also his or her ability to grow, learn and rise out of poverty. As such, it contributes to society's long-term health, stability and prosperity. This health and nutrition intervention program helps support government initiatives to address wasting and stunting of Filipino children. In 2019, ~500 pregnant women from the nine barangays were identified for the program and were given learning sessions on pregnancy health, prenatal consultation, free ultrasounds, an early literacy program, San Miguel food products, and Adarna books. During the second phase of the program in 2020, San Miguel Foods mingo meals, an instant	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. 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 nutrition post-delivery.	Thoughtful and clear communication of the program to encourage pregnant women to complete the 3-year program. 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.

	complimentary food made of rice, mung beans (mongo) and moringa (malunggay), which contain nutrients for optimal growth and development of babies were distributed. **This program is aligned with Sustainable Development Goals**		
San Miguel Foods Nationwide	**Animal Nutrition and Health (Feeds and Veterinary Medicine)** Animal-sourced foods are essential to good health. Foods such as eggs and milk provide essential vitamins and minerals. Iron-rich meat helps prevent anemia and other nutrient deficiencies. SMF's ANH products are essential to ensuring healthy livestock, which then support food supply. In addition to its contributions to food supply, healthier animals have a smaller environmental footprint. 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.	Improper use of feeds and medicine and inadequate care of animal farms due to lack of capacity, information and the like, can pose threats to fence-line communities, contract growers, and end consumers. 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.	Various training programs are provided to ensure product quality and capacity building. Training includes use of technology and more efficient practices to help increase productivity.

	SMF delivered 1.23 million metric tons of products in 2020. **This program is aligned with Sustainable Development Goals**		
Ginebra San Miguel	**Production and Donation of San Miguel Ethyl Alcohol** GSMI devoted resources in assisting the Government and medical frontliners in their efforts to fight COVID-19. GSMI temporarily suspended its production of liquor products and switched to the production of 70% ethyl alcohol to address the severe shortage on alcohol production. In 2020 alone, GSMI donated 1.15 million liters of disinfectant alcohol, amounting to P86.1 million, to hospitals, LGUs, and other institutions nationwide. To ensure the public steady supply of quality rubbing alcohol, this was later launched for commercial selling and San Miguel Ethyl Alcohol was added to GSMI's product portfolio. **This program is aligned with Sustainable Development Goals**	There may not be enough disinfectant alcohol and/or it may not widely-distributed.	GSMI made two meaningful batches of disinfectant alcohol to help address the needs of hospitals, LGUs, and other institutions nationwide. At the moment, there is no shortage of disinfectant alcohol in the market.

San Miguel Brewery Darong, Sta. Cruz, Davao del Sur	**Community Clinic** This was established to complement the initiatives of the Department of Health in the area. The purpose is to address the immediate health requirements of SMB’s host community in Darong, Sta. Cruz, which is quite a distance from the municipality’s medical facilities. In 2020, the community clinic assisted 2,442 patients with hypertension, diabetes, and other generic illnesses. **This program is aligned with Sustainable Development Goals**	The clinic is limited in the number of services it provides, as well as the equipment available.	The clinic is essential to the community to keep the population healthy. Poor health can limit one’s ability to work, creating a negative feedback loop sometimes referred to as the health-poverty trap. In the future, the clinic may expand the number of services and type of equipment available to diagnose and treat other illnesses.
Ginebra San Miguel Distileria Bago, Inc. (DBI) Bago City, Negros Occidental	**Renewable Energy** 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. Aside from biogas, the steam generated from	There may be technical challenges associated with the operation and sustainability of biogas.	GSMI makes it a point to implement periodic preventive maintenance of its machines to avoid downtimes.

	the distillery operations to produce alcohol is used to generate electricity, which powers some parts of the DBI facility. **This program is aligned with Sustainable Development Goals**		
Ginebra San Miguel Coastlines of Guimaras Strait	**DBI Mangrove Reforestation Area** DBI is located along the coast lines of Guimaras Strait, an identified Biodiversity Conservation Site in Western Visayas by the DENR. 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. **This program is aligned with Sustainable Development Goals**	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.	To mitigate the negative impacts, GSMI maintains its commitment to the conservation of the biodiversity of the Guimaras Strait. GSMI conducts regular tree planting within the vicinity annually, as well as regular clean-up drives in collaboration with the LGU and volunteers from nearby communities. As a result, the 12 hectares of mangrove reforestation along the Guimaras Strait has ~96% survival rate.
San Miguel Brewery Carmen, Cebu	**Carmen Mangrove Development Program** The project records the annual planting of mangrove species along the designated coastlines of Carmen, Cebu. The	Potential negative effects to the initiative are encroachment, illegal harvesting for mangrove barks, competing land-use, funding, and	To mitigate the negative impacts, the growth of mangroves, as well as the fishing practices are monitored.

	project is a partnership between fishermen associations in the area and the Municipal Agriculturists Office (MAO) and SMB. MAO and SMB provide the mangrove shelters for the fish, while the locals provide seedlings and maintain the mangrove areas. Aside from being a natural refuge and habitat to several wildlife species and marine life, mangrove forests also stabilize coastline, prevent coastal erosion and protection against threats of water pollution and siltation. They serve as natural flood defense and reduce damages caused by typhoons, tsunami and sea level rise and tides. **This program is aligned with Sustainable Development Goals**	maintaining the health of the mangrove ecosystem.	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. There has also been increased mangrove stretch and the preservation of giant clams in the area, according to the fish wardens and MAO.
San Miguel Brewery **Umapad Landfill Area, Mandaue City**	**Trees Brew Life: Ecopark Development** This project is an offshoot of the Trees Brew Life Program where SMB employees plant trees annually as part of the Company's commitment to save the environment. It is an initiative done in partnership with the Mandaue City Government.	The ecopark was once a dumpsite that was converted into an ecopark due to the efforts of the Mandaue City government to clean up the area. Since the immediate community relied on the dumpsite as their main livelihood; i.e., through scavenging, there may be resistance	Effective communication of the benefits of the ecopark to encourage the community to participate in maintaining the area, as well as the importance of keeping a clean environment and reducing waste.

	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. **This program is aligned with Sustainable Development Goals**	to the conversion of the dumpsite and lack of motivation to support SMB's tree planting and recycling project.	
San Miguel Brewery **Ginebra San Miguel**	**Use of recyclable packaging** Alcoholic beverages use glass bottles as packaging and these are collected for re-use in production. There is a returnable glass bottle 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. GSMI, on the other hand, uses second-hand bottles supplied through the bottle retrieval program. As of 2021, the GSMI's bottle retrieval rate through this system was around 70%.	The practice of recycling and use of glass cullets in the manufacture of new packaging materials keep the negative impacts of repeatedly sourcing raw materials to a minimum.	See Impacts and Risks and Management Approach on Materials for details.

	This program is aligned with Sustainable Development Goals		
Ginebra San Miguel	GSMI, in partnership with Technical Education and Skills Development Authority (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. In 2021, there were 21 graduates in the said program. **This program is aligned with Sustainable Development Goals**	Alcohol abuse	Responsible drinking is integrated in the syllabus of GSMI scholars' TESDA training.