March 28, 2023

**DECLARATION OF AUTHENTICITY**

Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

I, **EVELYN C. NG**, designated as Chief Financial Officer of **Universal Robina Corporation and Subsidiaries**, with contact number (632) 8516-9822 and office address at 7th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila, do hereby certify the authenticity of the attached SEC 17-A Annual Report with attached audited consolidated financial statements for the years ended December 31, 2022, 2021 and 2020.

**Evelyn C. Ng**
Chief Financial Officer

# COVER SHEET
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

9170

**COMPANY NAME**

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

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

8th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17-A | CRMD | |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| N/A | 8516-9888 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 996 | Last Wednesday of May | 12/31 |

**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 |
|---|---|---|---|
| Ms. Evelyn C. Ng | evelyn.ng@urc.com.ph | (02) 8516-9822 | +63 947 895 3903 |

**CONTACT PERSON's ADDRESS**

7th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila

***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.*

**SECURITIES AND EXCHANGE COMMISSION**

**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 year ended **December 31, 2022**

2. SEC Identification Number **9170**

3. BIR Tax Identification No. **000-400-016-000**

4. Exact name of issuer as specified in its charter **Universal Robina Corporation**

5. **Quezon City, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. Industry Classification Code: ____________ (SEC Use Only)

7. **8th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila** — **1110**
   Address of principal office — Postal Code

8. **(632) 8633-7631 to 40 / (632) 8516-9888**
   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, or Sec. 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt |
|---|---|
| **Common Shares, P1.00 Par value** | **2,178,507,618 shares** |

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

    Yes [ / ] No [ ]

12. Check whether the issuer:

    a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 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);

       Yes [ / ]     No [ ]

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

       Yes [ / ]     No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

    The aggregate market value of the voting stock held by non-affiliates is ₱130,230,713,264.

**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.

    **Not Applicable**

**DOCUMENTS INCORPORATED BY REFERENCE**

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; **None**

b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b); **None**

c) Any prospectus filed pursuant to SRC Rule 8.1-1 **None**

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# PART I – BUSINESS AND GENERAL INFORMATION

## Item 1. Business

Universal Robina Corporation (URC or the Company) is one of the largest branded food product companies in the Philippines and has established a strong presence in the ASEAN region. URC has the distinction of being called the country's first "Philippine Multinational". The Company was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The Company is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and poultry, manufacture of animal feeds and veterinary products, flour milling, and sugar milling and refining. URC has also ventured into the renewables business through its Distillery and Cogeneration divisions. In the Philippines, URC is a dominant player with leading market shares in Snacks, Candies, Chocolates, Ready-to-Drink (RTD) and is a competitive player in the Biscuits, Noodles and Coffee categories. URC Sugar division remains to be the largest producer in the country based on capacity, with six mills operating as of December 31, 2022, aided by the purchase of Roxas Holdings, Inc.'s sugar mill, ethanol plant and other investment properties in La Carlota City, Negros Occidental in 2020. The acquisition also allows for operational synergies between La Carlota and URC's existing operations in Sugar and continue in the efforts to support the development of the sugar industry in the Philippines. The Company's financial condition remained solid in the said period despite the acquisition.

No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets (not ordinary) were made in the past three years (2020-2022) except those mentioned in the succeeding paragraphs. The Company's financial condition has remained solid in the said period.

The Company operates its food business through operating divisions and wholly-owned or majority-owned subsidiaries that are organized into two business segments: branded consumer foods group, and agro-industrial and commodity food group.

Branded consumer foods (BCF) segment, including packaging division, is the Company's largest segment contributing about 71.9% of revenues for the year ended December 31, 2022. Established in the 1960s, the Company's branded consumer foods segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. The manufacturing, distribution, sales, and marketing activities of BCF segment are carried out mainly through the Company's branded consumer foods division consisting of snack foods, beverage, and noodles and pasta, although the Company conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies. The Company established URC BOPP Packaging and URC Flexible Packaging divisions to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. Both manufacturing facilities are located in Simlong, Batangas and are ISO 9001:2008 certified for Quality Management Systems.

Majority of URC's consumer foods business are conducted in the Philippines but has expanded more aggressively into other ASEAN markets, primarily through its wholly-owned subsidiary, URC International. In 2021, URC acquired Munchy Food Industries Sdn. Bhd. (Munchy's), one of the leading players in the Biscuits category in Malaysia, which provides a wide variety of offerings across key biscuit segments with well-loved brands including Munchy's Cream Crackers, Lexus Cream Sandwich, Oat Krunch, Muzic Wafer and Choc-O Cookies. The international operations contributed about 21.5% of the Company's sale of goods and services for the year ended December 31, 2022.

The Company's agro-industrial and commodity food group segment operates three divisions: (1) agro-industrial group (AIG), (2) flour division; and (3) sugar and renewable division (SURE). This segment contributed approximately 28.1% of sale of goods and services in 2022.

URC Flour is one of the top three flour millers in the Philippines. It drives the growth of the industry by introducing new products that cater to different flour-based categories such as breads, buns, cakes, noodles, wrappers, biscuits, pizza, cookies and breading mix. It also supplies pasta and flour products to popular quick service restaurants in the country. Its state-of-the-art flour mills and blending facilities allow the division to manufacture customized products to fit the specific needs of its customers.

URC SURE is one of the biggest producers of diversified-sugarcane products in the Philippines. Its core businesses include production and sale of raw and refined sugar, molasses, power, alcohol and liquid carbon dioxide. URC-SURE's focus on improving factory and energy efficiency, product quality and building strong planter relationships are the key factors that helped it become the biggest sugar miller in the Philippines. The diversification into renewables and value-added businesses also gave the Company a long-term competitive advantage in terms of sustaining profitability.

The Company is a core subsidiary of JG Summit Holdings, Inc. (JGSHI), one of the largest and most diversified conglomerates in the Philippines. JGSHI has substantial business interests in air transportation, property development and hotel management, banking and financial services, and petrochemicals (JG Summit owns the only naphtha cracker complex in the country). It also has non-controlling minority stakes in the country's leading telecommunications, power generation and electricity distribution companies, as well as in a leading Singapore property company.

The percentage contribution to the Company's sale of goods and services from continuing operations for each of the three years ended December 31, 2020, 2021 and 2022, by each of the Company's principal business segments is as follows:

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| Branded Consumer Foods Group | 73.9% | 71.4% | 71.9% |
| Agro-Industrial and Commodity Foods Group | 26.1% | 28.6% | 28.1% |
| | 100.0% | 100.0% | 100.0% |

The geographic percentage distribution of the Company's sale of goods and services from continuing operations for each of the three years ended December 31, 2020, 2021 and 2022 is as follows:

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | 2020 | 2021 | 2022 |
| Philippines | 81.2% | 81.0% | 78.5% |
| International | 18.8% | 19.0% | 21.5% |
| | 100.00% | 100.00% | 100.0% |

*Customers*

None of the Company's businesses is dependent upon a single customer or a few customers that a loss of anyone of them would have a material adverse effect on the Company. The Company has no single customer that, based upon existing orders, will account for 10.0% or more of the Company's total sale of goods and services.

*Distribution, Sales and Marketing*

The Company has developed an effective nationwide distribution chain and sales network that it believes provide its competitive advantage. The Company sells its branded food products primarily to supermarkets, as well as directly to top wholesalers, large convenience stores, large scale trading companies and regional distributors, which in turn sell its products to other small retailers and down line markets. The URC branded consumer food products are distributed directly to over 300,000 outlets in the Philippines and sold through various retailers and regional distributors.

The branded consumer food products are generally sold by the Company from salesmen to wholesalers or supermarkets, and regional distributors to small retail outlets. 15 to 30-day credit terms are extended to wholesalers, supermarkets and regional distributors.

The Company believes that its emphasis on marketing, product innovation and quality, and strong brand equity has played a key role in its success in achieving leading market shares in the different categories where it competes. In particular, the Company launched "Jack 'n Jill" as a master umbrella brand for all its snack food products in order to enhance customer recognition. the Company allots a substantial amount of its expenditures to support advertising and branding to differentiate its products and further expand market share both in the Philippines and in its overseas markets. Expenses include funding for advertising campaigns such as television and radio commercials, print and digital advertisements, as well as trade and consumer promotions.

URC Agro-Industrial Group (AIG) constantly provides quality products and services to both trade - modern, specialty pet, agri trade partners - and end consumers alike. Both farms (piggery and poultry) of URC AIG are GAHP (Good Animal Husbandry Practice) certified, and their manufacturing facilities (feeds, veterinary, meat slaughtering/processing) are 100% compliant to Good Manufacturing Practices (GMP). In addition, the meats and eggs brand, Robina Farms, maintains high quality and safety guarantee with its No Hormone and No Antibiotic residue certification. This has allowed AIG to aggressively capture the quality conscious meat and eggs segment of the country as embodied by the Robina Farms brand with its key positioning of Robina-Raised, Family-Safe products. Similarly, AIG's Feeds business, championed by Uno+, Supremo Gamefowl, and Top Breed Dog brands, have increased its distribution network supported by both the Kabalikat Protect and Kabalikat Farm Program covering Hog and Gamefowl and Kennel stakeholders. These support programs provide the needed technical support and care to animal raisers nationwide through technology transfers specially on biosecurity protocols given the current industry challenges brought by major diseases such as the African Swine Fever (ASF) and Avian Influenza (AI).

URC Flour's nationwide distribution covers different trade channels such as commodity product dealers, bakery chains and institutional accounts. URC Flour intends to expand its distribution by increasing the number of institutional accounts in key areas and penetrate underserved areas in Southern Luzon. URC has always believed in the huge potential of the local baking industry. Most of its marketing efforts are geared towards promoting local bread consumption and supporting young Filipino bakers through one of its initiatives, URC FLOURish Pilipinas. This innovative learning enhancement program aims to build a nation of entrepreneurs by supporting the skill, talent and passion of young bakers.

URC SURE is well-positioned in the sales and distribution of its products at a competitive price. The Company has developed good and long-standing customer relationships with industrial users, key accounts and traders and has developed a niche market for its premium sugar products.

*Competition*

The BCF business is highly competitive, with competition varying by country and product category. The Company believes that the principal competitive factors include price, taste, quality, convenience, brand recognition and awareness, advertising and marketing, availability of products and the ability to get its product widely distributed. Generally, the Company faces competition from both local and multinational companies in all of its markets. In the Philippines, major competitors in the market segments in which it competes include Liwayway Marketing Corporation, Republic Biscuit Corporation, Suncrest Foods Inc., Monde Nissin Corporation, Nestle Philippines, Inc., and Mondelez Philippines, Inc. Internationally, major competitors include Mars Inc., Lotte Group, Perfetti Van Melle Group, PT Mayora Indah Tbk, Tan Hiep Phat Beverage Group, Nestlé S.A., PepsiCo, Inc., and Mondelez International, Inc.

URC AIG has re-oriented its business model under three major business segments: Farms, Animal Nutrition and Health; and Food, Drugs and Disinfectants. This reorientation will allow URC AIG to pivot itself towards capturing the new opportunities in the consumer and agricultural segments given the opening up of the economy in the new normal. The market for AIG is now more diverse, ranging from its original agri-based categories such as feeds and veterinary products, to its more consumer-oriented categories such as processed meat under farms, and food, beverages and alcohol under the Food, Drugs and Disinfectants business group. Consistent as before, the market is highly fragmented, competitive, consumer-driven, and principally domestic. The Company is focused and known as a 'Kabalikat', sharing best practices with partners and providing total solutions and protection to Filipino consumers nationwide.

The Company's key competitive factors are brand equity, product quality, affordability, supply availability and reliability. Considering that the three major business segments: Farms, Animal Nutrition and Health; and Food, Drugs and Disinfectants are represented by core products directly and indirectly used by the common household, the said categories are subject to continuous changes particularly customer preferences and lifestyle. Key competitors include San Miguel Corporation, UNAHCO (Unilab Group), Aboitiz Equity Ventures, Inc. (Pilmico), and Bounty Farms.

The Philippine sugar industry is characterized by a strong competition for cane supply. As such, the Company puts a strong emphasis in addressing the needs of the planters so that being identified as "Partner ng Planter", URC SURE will become the planters' mill of choice. The Company continues to invest significant capital expenditures every year to improve efficiencies, maximize existing synergies and expand scale.

The flour and baking industry is highly competitive with several millers all over the country. URC Flour is one of the top three millers in the Phillipines, as the company continues to build its capacity and capabilities.

*Enhancement and Development of New Products*

The Company intends to continuously introduce innovative new products, product variants and line extensions in the snackfoods (snacks, biscuits, candies, chocolates and bakery), beverage, and grocery (instant noodles) products. New products launched in the past three years (2020-2022) have seen strong growth and are contributing more than 9% of sales of total Branded Consumer Foods.

The Company supports the rapid growth of the business through line expansion, construction and acquisition of plants.

*Raw Materials*

A wide variety of raw materials are required in the manufacture of the Company's food products, including corn, wheat, flour, sugar, robusta coffee beans, palm oil and cocoa powder. Some of these materials are purchased domestically while some are imported. The Company also obtains a major portion of its raw materials from its commodity food products segments, such as flour and sugar, and flexible packaging materials from its packaging segment.

For its Animal Nutrition and Health segment, the Company requires a variety of raw materials, including corn grains, soya beans and meals, feed-wheat grains, wheat bran, wheat pollard, soya seeds, rice bran, copra meal and fish meal. The Company purchases corn locally from corn traders and imports feed wheat from suppliers in North America, Australia, Europe and China. Likewise, soya seeds are imported by the Company from the USA.

For its Drugs and Disinfectants segment, the Company sources its major raw materials locally. The key ingredient in alcohol is rectified spirit, which is sourced internally from its distillery plants across the country. For its animal health products, the Company requires a variety of antibiotics and vitamins, which it acquires from suppliers in Europe and Asia. The Company maintains approximately two months physical inventory and one month in-transit inventory for its imported raw materials.

For its Farms segment, the Company requires a variety of raw materials, primarily close-herd breeding stocks. For its poultry business, the Company purchases the parent stock for its layer chicks from Dekalb from Europe and Hy-line from the USA. Robina Farms obtains all of the feeds it requires from its Animal Nutrition and Health segment and substantially all of the minerals and antibiotics from its Drugs and Disinfectants segment as part of its vertical integration. The Company purchases vaccines, medications and nutritional products from a variety of suppliers based on the values of their products.

The Company obtains sugar cane from local farmers. Competition for sugar cane supply is very intense and is a critical success factor for its sugar business. Additional material requirements for the sugar cane milling process are either purchased locally or imported.

The Company generally purchases wheat, the principal raw material for its flour milling and pasta business, from suppliers in the United States, Canada and Australia.

The Company's policy is to maintain a number of suppliers for its raw and packaging materials to ensure a steady supply of quality materials at competitive prices. However, the prices paid for raw materials generally reflect external factors such as weather conditions, commodity market fluctuations, currency fluctuations and the effects of government agricultural programs. The Company believes that alternative sources of supply of the raw materials that it uses are readily available. The Company's policy is to maintain approximately 30 to 110 days of inventory.

*Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract*

The Company owns a substantial number of trademarks registered with the Bureau of Trademarks subject to the provisions of Republic Act (RA) 8293 also known as the Intellectual Property Code of the Philippines (IP Code) and recorded with the Intellectual Property Office of the Philippines (IPPHL).
In addition, certain trademarks have been strategically registered in other countries in which it operates. These trademarks are important in the aggregate because brand name recognition is a key factor in the success of many of the Company's product lines. Trademark registration is a means to protect these brand names from counterfeiting and infringement.

Trademarks registered under RA 166, also known as the Trademark Law, are registered for twenty years. Upon renewal, these trademarks become subject to the IP Code having a registration period of ten years and renewable thereafter. In general, trademarks in other countries have a ten-year registration which are renewable as well, allowing relatively a lifetime of territorial and limited trademark registration.
The Company also uses brand names under licenses from third parties. These licensing arrangements are generally renewable based on mutual agreement. The Company's licensed brands include Nissin Cup Noodles, Nissin Yakisoba Instant Noodles and Nissin Pasta Express, Vitasoy, Calbee and B'lue, among others.

Licensing agreements are voluntarily registered with the Documentation, Information and Technology Transfer Bureau of the IPPHL.

*Regulatory Overview*

As manufacturer of consumer food and commodity food products, the Company is required to guarantee that the products are pure and safe for human consumption, and that the Company conforms to standards and quality measures prescribed by the Bureau of Food and Drugs (BFAD).

The Company's sugar mills are licensed to operate by the Sugar Regulatory Administration (SRA) and renew its sugar milling licenses at the start of every crop year. The Company is also registered with the Department of Energy as a manufacturer of bio-ethanol and as a renewable energy developer.

All of the Company's livestock and feed products have been registered with and approved by the Bureau of Animal Industry (BAI), an agency of the Department of Agriculture (DA) which prescribes standards, conducts quality control test of feed samples, and provides technical assistance to farmers and feed millers.

Some of the Company's projects, such as the sugar mill and refinery, bioethanol production, biomass power cogeneration and hog and poultry farm operations, are registered with the Board of Investments (BOI) which allows the Company certain fiscal and non-fiscal incentives.

*Effects of Existing or Probable Governmental Regulations on the Business*

The Company operates its businesses in a highly regulated environment. These businesses depend upon licenses issued by government authorities or agencies for their operations. The suspension or revocation of such licenses could materially and adversely affect the operation of these businesses.

*Research and Development*

The Company develops new products and variants of existing product lines, researches new processes and tests new equipment on a regular basis in order to maintain and improve the quality of the Company's food products. In Philippine operations alone, about ₱218 million was spent for research and development activities in 2022 and approximately ₱209 million and ₱193 million in 2021 and 2020, respectively.

The Company has research and development staff for its branded consumer foods and packaging divisions located in its research and development facility in Metro Manila and in each of its manufacturing facilities. In addition, the Company hires experts from all over the world to assist its research and development staff. The Company conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customizing products to meet the local needs and tastes in the international markets. The Company's commodity foods segment also utilizes this research and development facility to improve their production and quality control. The Company also strives to capitalize on its existing joint ventures to effect technology transfers.

The Company has a dedicated research and development team for its agro-industrial business that continually explores advancements in feeds, breeding and farming technology. The Company regularly conducts market research and farm-test for all of its products. As a policy, no commercial product is released if it was not tested and used in Robina Farms.

*Transactions with Related Parties*

The largest shareholder, JGSHI, is one of the largest and most diversified conglomerates listed on the Philippine Stock Exchange. JGSHI provides the Company with certain corporate center services including finance, strategy and development, government affairs, governance and management systems, internal audit, procurement, human resources, general counsel, information technology, and digital transformation office. JGSHI also provides the Company with valuable market expertise in the Philippines as well as intra-group synergies. See Note 32 to Consolidated Financial Statements for Related Party Transactions.

*Costs and Effects of Compliance with Environmental Laws*

The operations of the Company are subject to various laws and regulations enacted for the protection of the environment, including Philippine Clean Water Act (R.A. No. 9275), Clean Air Act (R.A. No. 8749), Ecological Solid Waste Management Act (R.A. No. 9003), Toxic Substances and Hazardous and Nuclear Wastes Control Act (R.A. No. 6969), Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Environmental Impact Statement System (P.D. 1586), Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850), Renewable Energy Act (R.A. No. 9513), Electric Power Industry Reform Act (R.A. No. 9136) and Environmental Compliance Certificates (ECCs) requirements of P.D. No. 1586, in accordance with DENR Administrative Order No. 2003-30. The Company believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatment systems in its various facilities. Compliance with such laws does not have, and, in the Company's opinion, is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position. As of December 31, 2022, the Company has invested about ₱475 million in wastewater treatment in its facilities in the Philippines.

*Employees and Labor*

As of December 31, 2022, the number of permanent full-time employees engaged in the Company's respective businesses is 13,510 and are deployed as follows:

| **Business** | **Company or Division** | **Number** |
|---|---|---|
| Branded consumer foods | BCF, Packaging Division, URCI, URCCCL, NURC, UBVI, and USVI | 9,812 |
| Agro-industrial and commodity foods | Farms, Animal Nutrition and Health; and Food, Drugs and Disinfectants | 599 |
| | Sugar | 1,171 |
| | Flour | 409 |
| | Distillery and Cogeneration | 661 |
| Corporate | | 858 |
| | | 13,510 |

For most of the companies and operating divisions, collective bargaining agreements between the relevant representatives of the employees' union and the subsidiary or divisions are in effect. The collective bargaining agreements generally cover a five-year term with a right to renegotiate the economic provisions of the agreement after three years, and contain provisions for annual salary increases, health and insurance benefits, and closed-shop arrangements. The collective bargaining agreements are with 26 different unions. For the year 2022, three (3) collective bargaining agreements were signed and concluded with the labor unions which are as follows: URC SURE - CARSUMCO Rank &File Union (Philippine Agricultural Commercial and Industrial Workers' Union – Trade Union Congress of the Philippines), URC SURE - CARSUMCO Supervisory Union (National Congress of Unions in the Sugar Industry of the Philippines – Trade Union Congress of the Philippines, and URC BCFG Rank & File Union Chapter (Consolidated Workers Union). The Company believes that good labor relations generally exist throughout the Company's subsidiaries and operating divisions.

The Company has a funded, noncontributory defined benefit retirement plan covering all of the regular employees of URC. The plan provides retirement, separation, disability and death benefits to its members. The Company, however, reserves the right to change the rate and amounts of its contribution at any time on account of business necessity or adverse economic conditions. The funds of the plan are administered and managed by the trustees. Retirement cost charged to operations, including net interest cost, amounted to ₱267 million, ₱350 million, and ₱263 million in 2022, 2021, and 2020, respectively.

*Risks*

The major business risks facing the Company and its subsidiaries are as follows:

*1) Competition*

The Company and its subsidiaries face competition in all segments of its businesses both in the Philippine market and in international markets where it operates. The Philippine food industry in general is highly competitive. Although the degree of competition and principal competitive factors vary among the different food industry segments in which the Company participates, the Company believes that the principal competitive factors include price, product quality, brand awareness and loyalty, distribution network, proximity of distribution outlets to customers, product variations and new product introductions. (See page 4, *Competition*, for more details)

The Company's ability to compete effectively is due to continuous efforts in sales and marketing of its existing products, development of new products and cost rationalization.

*2) Financial Market*

The Company has foreign exchange exposure primarily associated with fluctuations in the value of the Philippine Peso against the US dollar and other foreign currencies. Majority of the Company's revenues are denominated in Pesos, while certain of its expenses, including debt services and raw material costs, are denominated in US dollars or based on prices determined in US dollars. In addition, portion of the Company's debt is denominated in foreign currencies. Prudent fund management is employed to minimize effects of fluctuations in interest and currency rates.

*3) Raw Materials*

The Company's production operations depend upon obtaining adequate supplies of raw materials on a timely basis. In addition, its profitability depends in part on the prices of raw materials since a portion of the Company's raw material requirements is imported, including packaging materials. To mitigate these risks, alternative sources of raw materials are used in the Company's operations and pricing initiative are taken. (See page 5, *Raw Materials*, for more details)

*4) Food Safety Concerns*

The Company's business could be adversely affected by the actual or alleged contamination or deterioration of certain of its flagship products, or of similar products produced by third parties. The risk of contamination or deterioration of its food products exists at each stage of the production cycle, including the purchase and delivery of food raw materials, the processing and packaging of food products, the stocking and delivery of the finished products to its customers, and the storage and display of finished products at the points of final sale. The Company conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customizing products to meet the local needs and tastes in the international markets for its food business. For its agro-industrial business, its researchers are continually exploring advancements in breeding and farming technology. The Company regularly conducts market research and farm-test for all of its products. Moreover, the Company ensures that the products are safe for human consumption and that the Company conforms to standards and quality measures prescribed by regulatory bodies such as BFAD, SRA, BAI, and DA.

*5) Mortalities*

The Company's agro-industrial business is subject to risks of outbreaks of various diseases. The Company faces the risk of outbreaks of foot and mouth disease and ASF, which is highly contagious and destructive to susceptible livestock such as hogs, and AI or bird flu for its chicken farming business. These diseases and many other types could result in mortality losses. Disease control measures are adopted by the Company to minimize and manage this risk.

*6) Intellectual Property Rights*

Approximately 71.9% of the Company's sale of goods and services in 2022 were from its branded consumer foods segment. The Company has put considerable efforts to protect the portfolio of intellectual property rights, including trademark registrations. Security measures are continuously taken to protect its patents, licenses and proprietary formulae against infringement and misappropriation.

*7) Weather and Catastrophe*

Severe weather conditions may have an impact on some aspects of the Company's business, such as its sugar cane milling operations due to reduced availability of sugar cane. Weather conditions may also affect the Company's ability to obtain raw materials and the cost of those raw materials. Moreover, the Philippines has experienced a number of major natural catastrophes over the years including typhoons, droughts, volcanic eruptions, and earthquakes. The Company and its subsidiaries continually maintain sufficient inventory level to neutralize any shortfall of raw materials from major suppliers whether local or imported.

*8) Environmental Laws and Other Regulations*

The Company is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety, among others. The nature of the Company's operations will continue to subject it to increasingly stringent environmental laws and regulations that may increase the costs of operating its facilities above currently projected levels and may require future capital expenditures. The Company is continually complying with environmental laws and regulations, such as the wastewater treatment plants as required by the Department of Environment and Natural Resources, to lessen the effect of these risks.

The Company shall continue to adopt what it considers conservative financial and operational policies and controls to manage the various business risks it faces.

**Item 2. Properties**

The Company operates the manufacturing/farm facilities located in the following:

| Location (Number of facilities) | Type of Facility | Owned/Rented | Condition |
|---|---|---|---|
| Pasig City (4) | Branded consumer food plant, flour mills and feed mill | Owned | Good |
| Libis, Quezon City (1) | Branded consumer food plant | Owned | Good |
| Cabuyao, Laguna (1) | Branded consumer food plant | Owned | Good |
| Luisita, Tarlac (1) | Branded consumer food plant | Rented/Owned | Good |
| San Fernando, Pampanga (1) | Branded consumer food plant | Rented/Owned | Good |
| Dasmariñas, Cavite (2) | Branded consumer food plants | Owned | Good |
| Cagayan de Oro (1) | Branded consumer food plant | Owned | Good |
| San Pedro, Laguna (2) | Branded consumer food plants | Owned | Good |
| Calamba, Laguna (1) | Branded consumer food plant | Rented/Owned | Good |
| San Pablo, Laguna (1) | Branded consumer food plant | Rented/Owned | Good |
| Biñan, Laguna (1) | Branded consumer food plant | Owned | Good |
| Antipolo, Rizal (5) | Poultry and piggery farms, slaughterhouse and meat processing plant | Rented/Owned | Good |
| Naic, Cavite (1) | Poultry farm | Owned | Good |
| San Miguel, Bulacan (4) | Feed mill, poultry and piggery farms | Owned | Good |
| San Jose, Batangas(1) | Poultry farm | Rented | Good |
| Bustos, Bulacan (1) | Piggery farm | Owned | Good |
| Novaliches, Quezon City (1) | Piggery farm | Owned | Good |
| Consolacion, Cebu (1) | Feed mill | Owned | Good |
| Davao City, Davao (1) | Flour mill | Owned | Good |
| Tabok City, Cebu (1) | Branded consumer food plant | Owned | Good |
| San Fernando, Cebu (1) | Branded consumer food plant | Owned | Good |
| Mandaue City, Cebu (1) | Feed mill | Owned | Good |
| Bais, Negros Oriental (1) | Distillery plant | Owned | Good |
| Manjuyod, Negros Oriental (1) | Sugar mill | Owned | Good |
| Piat, Cagayan (1) | Sugar mill | Owned | Good |
| Kabankalan, Negros Occidental (2) | Sugar mill and cogeneration plant | Owned | Good |
| San Enrique, Iloilo City (1) | Sugar mill | Owned | Good |
| Balayan, Batangas (1) | Sugar mill | Owned | Good |
| La Carlota City, Negros Occidental (2) | Sugar mill and distillery plant | Owned | Good |
| Simlong, Batangas (3) | BOPP plant/Flexible packaging | Owned | Good |
| Samutsakhorn Industrial Estate, Samutsakhorn, Thailand (6) | Branded consumer food plants | Owned | Good |
| Pasir Gudang, Johor, Malaysia (1) | Branded consumer food plant | Owned | Good |
| Jiangsu, China (1) | Branded consumer food plant | Owned | Good |
| Guangdong, China (1) | Branded consumer food plant | Owned | Good |
| Industrial Town, Bekasi, Indonesia (2) | Branded consumer food plants | Owned | Good |
| VSIP, Binh Duong Province, Vietnam (3) | Branded consumer food plants | Owned | Good |
| Thach That District, Ha Noi, Vietnam (1) | Branded consumer food plant | Owned | Good |
| Mingaladon, Yangon, Myanmar (1) | Branded consumer food plant | Rented/Owned | Good |
| Batu Pahat, Johor, Malaysia (2) | Branded consumer food plant | Owned | Good |

The Company intends to continuously expand the production and distribution of the branded consumer food products internationally through the addition of manufacturing facilities located in geographically desirable areas, especially in the ASEAN countries, the realignment of the production to take advantage of markets that are more efficient for production and sourcing of raw materials, and increased focus and support for exports to other markets from the manufacturing facilities. It also intends to enter into alliances with local raw material suppliers and distributors. Annual lease payments for rented properties amounted to ₱141 million in 2022.

**Item 3. Legal Proceedings**

The Company is subject to lawsuits and legal actions in the ordinary course of its business. The Company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceedings that could be expected to have a material adverse effect on the Company's financial position or results of operations.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the year covered by this report.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

*Market Information*

The principal market for URC's common equity is the Philippine Stock Exchange. Sales prices of the common stock follow:

| | High | Low |
|---|---|---|
| Calendar Year 2022 | | |
| January to March 2022 | ₱130.30 | ₱100.30 |
| April to June 2022 | 122.90 | 93.25 |
| July to September 2022 | 130.00 | 107.20 |
| October to December 2022 | 138.70 | 108.10 |
| Calendar Year 2021 | | |
| January to March 2021 | ₱160.90 | ₱118.60 |
| April to June 2021 | 149.20 | 125.10 |
| July to September 2021 | 150.80 | 126.70 |
| October to December 2021 | 141.20 | 125.70 |
| Calendar Year 2020 | | |
| January to March 2020 | ₱163.40 | ₱82.00 |
| April to June 2020 | 149.00 | 99.00 |
| July to September 2020 | 145.00 | 118.20 |
| October to December 2020 | 160.90 | 131.50 |

As of March 28 2023, the latest trading date prior to the completion of this annual report, sales price of the common stock is at ₱147.00.

The number of shareholders of record as of December 31, 2022 was approximately 996. Common shares outstanding as of December 31, 2022 were 2,178,507,618.

**List of Top 20 Stockholders of Record**
***December 31, 2022***

| | Name of Stockholders | Number of Shares Held | Percentage to Total Outstanding |
|---|---|---|---|
| 1 | JG Summit Holdings, Inc. | 1,215,223,061 | 55.78% |
| 2 | PCD Nominee Corporation (Non-Filipino) | 521,667,582 | 23.95% |
| 3 | PCD Nominee Corporation (Filipino) | 429,042,724 | 19.69% |
| 4 | Toccata Securities Pty. Ltd (Account 1) | 5,035,541 | 0.23% |
| 4 | Toccata Securities Pty. Ltd (Account 2) | 5,035,541 | 0.23% |
| 4 | Toccata Securities Pty. Ltd (Account 3) | 5,035,541 | 0.23% |
| 5 | Litton Mills, Inc. | 2,237,434 | 0.10% |
| 6 | Hopkins Securities Pty. Ltd. (Account 1) | 1,888,328 | 0.09% |
| 6 | Hopkins Securities Pty. Ltd. (Account 2) | 1,888,328 | 0.09% |
| 6 | Hopkins Securities Pty. Ltd. (Account 3) | 1,888,328 | 0.09% |
| 6 | Hopkins Securities Pty. Ltd. (Account 4) | 1,888,328 | 0.09% |
| 7 | Lisa Gokongwei Cheng | 988,234 | 0.04% |
| 7 | Robina Gokongwei Pe | 988,234 | 0.04% |
| 8 | RBC-TIG ATF TA#030-172-530121 | 576,295 | 0.03% |
| 9 | RBC-TIG ATF TA#030-172-530113 | 575,800 | 0.03% |
| 9 | RBC-TIG ATF TA#030-172-530122 | 575,800 | 0.03% |
| 10 | Lance Yu Gokongwei | 413,234 | 0.02% |
| 11 | Marcia Yu Gokongwei | 413,233 | 0.02% |
| 11 | Faith Gokongwei Lim | 413,233 | 0.02% |
| 11 | Hope Gokongwei Tang | 413,233 | 0.02% |
| 12 | Quality Investments & Sec Corporation | 400,143 | 0.02% |
| 13 | JG Summit Capital Services Corporation | 380,765 | 0.02% |
| 14 | Gilbert U. Du and/or Fe Socorro R. Du | 188,485 | 0.01% |
| 15 | Pedro Sen | 75,900 | 0.00% |
| 16 | Phimco Industries Provident Fund | 72,864 | 0.00% |
| 17 | Joseph Estrada | 72,105 | 0.00% |
| 18 | Gilbert Du | 63,250 | 0.00% |
| 19 | Abacus Securities Corporation | 51,100 | 0.00% |
| 20 | Patrick Y.Tong | 46,299 | 0.00% |

*Recent Sales of Unregistered Securities*

Not applicable. All shares of the Company are listed on the Philippine Stock Exchange.

*Dividends*

The Company paid dividends as follows:

In 2022, a regular cash dividend of ₱1.50 per share and a special cash dividend of ₱1.95 per share to all stockholders of record as of April 3, 2022 and paid on April 29, 2022.

In 2021, a regular cash dividend of ₱1.50 per share to all stockholders of record as of May 20, 2021 and paid on June 15, 2021 and a special cash dividend of ₱1.80 per share to all stockholders of record as of August 19, 2021 and paid on September 15, 2021.

In 2020, a regular cash dividend of ₱1.50 per share to all stockholders of record as of March 24, 2020 and paid on April 21, 2020 and a special cash dividend of ₱1.65 per share to all stockholders of record as of June 1, 2020 and paid on June 26, 2020.

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

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this Report. The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs).

***Results of Operations***

*Calendar Year 2022 Compared to Calendar Year 2021*

URC generated a consolidated sale of goods and services of ₱149.904 billion for the year ended December 31, 2022, ahead by 28.2% against last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's BCFG segment, excluding packaging division, increased by ₱24.032 billion or 29.3% to ₱105.936 billion in 2022 from ₱81.904 billion registered in 2021. BCF domestic operations posted an increase in net sales from ₱59.734 billion in 2021 to ₱73.639 billion in 2022 coming from strong volume and programmed price increases.

  BCF international operations reported a 45.7% increase in net sales from ₱22.170 billion in 2021 to ₱32.297 billion in 2022 with strong topline across key markets coupled with uplift from Munchy's acquisition. In constant US dollar (US$) terms, sales increased by 38.3% (11.1% ex-Munchy's) with Indochina leading the expansion across the region, while Munchy's continues to deliver synergies. Vietnam sales grew by 21.7% driven by the solid performance of the beverage category with strong growth and market share of C2 and recovery of Rong Do. Thailand improved with 8.3% sales growth coming from all categories particularly Candies, Snacks, and Bakery.

  Sale of goods and services of BCFG, excluding packaging division, accounted for 70.7% of total URC consolidated sale of goods and services for 2022.

  Sale of goods and services in URC's packaging division increased by 13.1% to ₱1.832 billion in 2022 from ₱1.619 billion recorded in 2021 due to better volume.

- Sale of goods and services in URC's Agro-Industrial and Commodities (AIC) group amounted to ₱42.136 billion in 2022, an increase of 26.0% from ₱33.432 billion recorded last year.

  - Sale of goods and services in URC's AIG segment amounted to ₱14.431 billion in 2022, a growth of 25.7% from ₱11.483 billion recorded in 2021. Feeds business increased by 31.0% due to pricing and double-digit volume growth in pet food and hog feeds. Farms business declined by 4.6% due to lower volume.

  - Sale of goods and services in Flour business amounted ₱5.711 billion in 2022, a growth of 14.0%, increase from ₱5.009 billion recorded in 2021 due to improved prices amidst a surge in wheat prices.

- Sales of goods and services in Sugar business amounted to ₱16.014 billion grew by 34.9% from ₱11.868 billion in 2021 driven by higher market prices across all categories while the Renewables business grew by 17.9% to ₱5.980 billion in 2022.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱27.197 billion or 32.6% to ₱110.686 billion in 2022 from ₱83.490 billion recorded in 2021 due to higher volume and elevated input costs.

URC's gross profit for 2022 amounted to ₱39.217 billion, higher by ₱5.752 billion or 17.2% from ₱33.465 billion reported in 2021. Gross profit margin decreased by 245 basis points from 28.61% in 2021 to 26.16% in 2022 due to high material costs.

URC's selling and distribution costs and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses, and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱3.245 billion or 15.6% to ₱23.994 billion in 2022 from ₱20.749 billion registered in 2021. This increase resulted primarily from the following factors:

- 31.8% or ₱2.125 billion increase in freight and other selling expense to ₱8.802 billion in 2022 from ₱6.677 billion in 2021 due to higher volume and higher fuel costs.

- 17.6 % or ₱705 million increase in personnel expense to ₱4.723 billion in 2022 from ₱4.017 billion in 2021 due to annual merit increase and Munchy's contribution.

- 12.8% or ₱110 million increase in depreciation and amortization to ₱966 million in 2022 from ₱856 million in 2021 due to capital expenditures during the year.

As a result of the above factors, operating income increased by ₱2.507 billion or 19.7% to ₱15.224 billion in 2022 from ₱12.716 billion reported in 2021. URC's operating income by segment was as follows:

- Operating income in URC's BCFG segment, excluding packaging division, increased by ₱1.730 billion or 18.6% to ₱11.029 billion in 2022 from ₱9.299 billion in 2021. BCFG's domestic operations grew by 10.8% to ₱8.427 billion in 2022 from ₱7.603 billion in 2021 driven by strong volume coupled with aggressive pricing moves and a cost-savings program. International operations posted a ₱2.603 billion operating income, a 53.5% growth from ₱1.696 billion in 2021, on the back of Munchy's acquisition and quarter-on-quarter margin expansion. Aggressive direct and indirect pricing moves for core SKUs and geographies coupled with structural improvements in some smaller markets have helped support absolute growth. In constant US dollar terms, international operations posted an operating income of US$48 million, a 44.7% increase from last year.

  URC's packaging division reported an operating income of ₱85 million in 2022 from an operating income of ₱99 million reported in 2021 due to higher input cost.

- Operating income of AIC group amounted to ₱7.129 billion in 2022, an increase of 29.3% from ₱5.516 billion recorded last year.

  - Operating income in URC's AIG segment decreased by ₱36 million or 3.1% to ₱1.129 billion in 2022 from ₱1.165 billion in 2021 driven by higher input costs and impact of industry outbreaks of ASF and AI.

- Operating income in Flour business decreased by ₱320 million or 50.3% to ₱316 million in 2022 from ₱636 million in 2021 due to surging wheat prices and foreign exchange weakness this year.

- Operating income in Sugar business grew by ₱2.111 billion or 76.6% to ₱4.867 billion in 2022 from ₱2.756 billion in 2021, on the back of higher market prices as well as mill operating efficiencies, while Renewables declined by 14.7% to ₱819 million in 2022.

URC reported an EBITDA (operating income plus depreciation and amortization) from continuing operations of ₱21.512 billion in 2022, 16.4% higher than ₱18.479 billion posted in 2021.

URC's finance costs consist mainly of interest expense, which increased by ₱233 million to ₱806 million in 2022 from ₱573 million recorded in 2021 due to a higher level of interest-bearing financial liabilities and higher interest rates.

URC's finance revenue consists of interest income from money market placements, savings and dollar deposits, as well as dividend income from investments in equity securities. Finance revenue increased by ₱40 million to ₱295 million in 2022 from ₱255 million in 2021 due to higher dividend income.

Equity in net losses of joint ventures increased to ₱379 million in 2022 from ₱91 million in 2021 due to equity take-up in 2022 net losses of VURCI.

Net foreign exchange gain increased by ₱37 million to ₱383 million in 2022 from the ₱346 million in 2021 driven by combined effects of local currency devaluations vis-à-vis US dollar this year.

Market valuation gain on financial instruments at fair value through profit or loss decreased to ₱70 million in 2022 from ₱87 million in 2021 driven by lower increase in fair values of financial instruments compared last year.

Impairment losses decreased by ₱245 million to ₱327 million in 2022 from ₱572 million in 2021 due to lower provisions for impairment losses on fixed assets and spare parts during the year.

Other income (losses) - net consists of gain on sale of fixed assets, rental income, and miscellaneous income and expenses. Other income (losses) - net amounted to ₱3.011 billion in 2022, higher than the ₱2.375 billion reported in 2021 mainly coming from a higher gain on sale of fixed assets recognized this year. Also, last year saw higher professional fees paid to consultants.

URC recognized a provision for income tax of ₱3.000 billion in 2022, a 90.0% increase from ₱1.579 billion in 2021 due to higher taxable income from sale of properties. Last year's gain on sale of properties was subject to capital gains tax.

URC's net income from continuing operations amounted to ₱14.471 billion in 2022, higher by ₱1.506 billion or 11.6%, from ₱12.965 billion in 2021, driven by higher operating income coupled with gain on sale of idle assets.

URC's net income from discontinued operations amounted to ₱11.281 billion in 2021 coming from gain recognized from the divestment of Oceania businesses.

URC reported total net income of ₱14.471 billion in 2022, lower by ₱9.775 billion or 40.3% from ₱24.246 billion in 2021.

URC's core earnings after tax (operating profit after equity earnings, net finance costs, other income - net and provision from income tax) in 2022 amounted to ₱11.889 billion, and increase of 14.2% from ₱10.413 billion recorded in 2021.

Net income attributable to equity holders of the parent decreased by ₱9.368 billion or 40.2% to ₱13.956 billion in 2022 from ₱23.324 billion in 2021 as a result of the factors discussed above.

NCI represents primarily the share in the net income attributable to non-controlling interest of Nissin-URC (51.0%-owned). NCI in net income of subsidiaries decreased from ₱922 million in 2021 to ₱515 million in 2022 as last year's includes net income attributable to NCI of the Oceania businesses.

*Calendar Year 2021 Compared to Calendar Year 2020*

URC generated a consolidated sale of goods and services of ₱116.955 billion for the year ended December 31, 2021, ahead by 3.4% against last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's BCFG segment, excluding packaging division, decreased by ₱566 million or 0.7% to ₱81.904 billion in 2021 from ₱82.470 billion registered in 2020. BCF domestic operations posted a decrease in net sales from ₱61.240 billion in 2020 to ₱59.734 billion in 2021 coming from high base in 2020 due to pantry-loading in the first half of the year driven by Taal eruption and the start of pandemic shifting household spending to pantry essentials. Economic environment also affected consumer behavior as seen in the category declines.

  BCF international operations reported a 4.4% increase in net sales from ₱21.230 billion in 2020 to ₱22.170 billion in 2021 coming from strong growth momentum in the first half of the year, partially tapered by COVID-19 resurgence in the region. In constant US dollar (US$) terms, sales increased by 5.3% driven by Indochina and Indonesia despite COVID challenges. Vietnam significantly grew by 12.0% driven by recovery in beverage sales particularly C2 while Thailand improved with 5.2% sales growth coming from strong domestic performance.

  Sale of goods and services of BCFG, excluding packaging division, accounted for 70.0% of total URC consolidated sale of goods and services for 2021.

  Sale of goods and services in URC's packaging division increased by 44.8% to ₱1.619 billion in 2021 from ₱1.118 billion recorded in 2020 due to better price and volume.

- Sale of goods and services in URC's AIC group amounted to ₱33.432 billion in 2021, an increase of 13.0% from ₱29.574 billion recorded last year.

  - Sale of goods and services in URC's AIG segment amounted to ₱11.483 billion in 2021, a decline of 3.2% from ₱11.858 billion recorded in 2020. Feeds business increased by 5.6% due to double-digit growth in pet food, offsetting the decline in animal feeds. Farms business also decreased by 40.3% due to lower volumes as a result of downsized operations

  - Sale of goods and services in Flour business amounted ₱5.009 billion in 2021, a growth of 4.5%, increase from ₱4.794 billion recorded in 2020 due to better selling price despite low volume growth.

  - Sales of goods and services in Sugar business amounted to ₱11.868 billion in 2021 grew by 20.7% from ₱9.836 billion in 2020 while Renewables business grew by 64.4% to ₱5.073 billion in 2021 driven by the acquisition of La Carlota mill and Roxol distillery in 4$^{th}$ quarter of 2020.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱4.916 billion or 6.3% to ₱83.490 billion in 2021 from ₱78.573 billion recorded in 2020 due to higher sales and increasing input costs.

URC's gross profit for 2021 amounted to ₱33.465 billion, lower by ₱1.123 billion or 3.2% from ₱34.588 billion reported in 2020. Gross profit margin decreased by 195 basis points from 30.57% in 2020 to 28.61% in 2021.

URC's selling and distribution costs and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱57 million or 0.3% to ₱20.749 billion in 2021 from ₱20.692 billion registered in 2020. The increase primarily resulted from increases in repairs and maintenance, professional and legal fees and other administrative expenses, partially offset by decreases in advertising and promotion costs; and taxes, licenses and fees.

As a result of the above factors, operating income decreased by ₱1.180 billion or 8.5% to ₱12.716 billion in 2021 from ₱13.896 billion reported in 2020. URC's operating income by segment was as follows:

- Operating income in URC's BCFG segment, excluding packaging division, decreased by ₱909 million or 8.9% to ₱9.299 billion in 2021 from ₱10.208 billion in 2020. BCFG's domestic operations decline by 8.0% to ₱7.603 billion in 2021 from ₱8.262 billion in 2020 driven by cost headwinds from commodity prices, partially offset by pricing actions, mix improvements and cost savings initiatives. International operations posted a ₱1.696 billion operating income, 12.9% lower than the ₱1.947 billion posted in 2020 driven by increasing input prices and freight costs, and plant shutdowns due to Delta COVID variant surge in 3rd quarter of 2021. In constant US dollar terms, international operations posted an operating income of US$ 34 million, a 12.3% decrease from last year.

  URC's packaging division reported an operating income of ₱99 million in 2021 from an operating income of ₱522 thousand reported in 2020 driven by strong topline.

- Operating income of AIC group amounted to ₱5.516 billion in 2021, a decrease of 3.9% from ₱5.738 billion recorded last year.

  - Operating income in URC's AIG segment decreased by ₱210 million or 15.3% to ₱1.165 billion in 2021 from ₱1.374 billion in 2020 driven by higher input costs.

  - Operating income in Flour business decreased by 48.2% or ₱591 million to ₱636 million in 2021 from ₱1.227 billion in 2020 due to surging wheat prices.

  - Operating income in Sugar and Renewables businesses grew by 16.4% or ₱388 million and 24.9% or ₱191 million, respectively, on the back of better volume and average selling price for all categories.

URC reported an EBITDA (operating income plus depreciation and amortization) from continuing operations of ₱18.479 billion in 2021, 7.9% lower than ₱20.054 billion posted in 2020.

URC's finance costs consist mainly of interest expense, which decreased by ₱88 million to ₱573 million in 2021 from ₱662 million recorded in 2020 due to lower interest rates and decline in level of interest-bearing financial liabilities.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by ₱68 million to ₱255 million in 2021 from ₱324 million in 2020 due to lower interest rates, decline in level of interest-bearing financial assets and lower dividend income.

Equity in net losses of joint ventures increased to ₱91 million in 2021 from ₱62 million in 2020 due to equity take-up in net losses of DURBI.

Net foreign exchange gain amounted to ₱346 million in 2021 from the ₱504 million net foreign exchanges loss reported in 2020 driven by combined effects of local currency devaluations vis-à-vis US dollar this year versus local currency revaluations last year particularly Philippine Peso and Myanmar Kyat.

Market valuation gain on financial instruments at fair value through profit or loss decreased to ₱87 million in 2021 from ₱136 million in 2020 driven by market valuation on derivative liability last year.

Impairment losses increased to ₱572 million in 2021 from ₱33 million in 2020 due to provision for impairment losses on idle fixed assets and slow-moving spare parts .

Other income (losses) - net consists of gain (loss) on sale of fixed assets, rental income, and miscellaneous income and expenses. Other income - net amounted to ₱2.375 billion in 2021 from other losses - net of ₱619 million reported in 2020 mainly coming from gain on sale of fixed assets recognized this year.

URC recognized provision for income tax of ₱1.579 billion in 2021, a 20.0% decrease from ₱1.973 billion in 2020 due to savings from CREATE Act and reversal of deferred tax assets last year.

URC's net income from continuing operations amounted to ₱12.965 billion in 2021, higher by ₱2.461 billion or 23.4%, from ₱10.504 billion in 2020 mainly driven by gain on sale of idle assets, foreign exchange gain, and income tax savings from CREATE Act.

URC's net income from discontinued operations amounted to ₱11.281 billion in 2021, an increase of ₱10.160 billion from ₱1.120 billion recorded in 2020 driven by the gain recognized from the divestment of Oceania businesses this year.

URC reported total net income of ₱24.246 billion in 2021, higher by ₱12.621 billion or 108.6% from ₱11.625 billion in 2020.

URC's core earnings after tax (operating profit after equity earnings, net finance costs, other income - net and provision from income tax) in 2021 amounted to ₱10.413 billion, and decrease of 16.4% from ₱12.463 billion recorded in 2020.

Net income attributable to equity holders of the parent increased by ₱12.577 billion or 117.0% to ₱23.324 billion in 2021 from ₱10.747 billion in 2020 as a result of the factors discussed above.

NCI represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC (51.0%-owned). NCI in net income of subsidiaries increased from ₱878 million in 2020 to ₱922 million in 2021.

*Calendar Year 2020 Compared to Calendar Year 2019*

URC generated a consolidated sale of goods and services of ₱113.162 billion for the year ended December 31, 2020, a slight decline of 1.1% against 2019. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's BCFG segment, excluding packaging division, decreased by ₱2.848 billion or 3.3% to ₱82.470 billion in 2020 from ₱85.318 billion registered in 2019. BCFG domestic operations posted a slight decrease in net sales from ₱61.535 billion in 2019 to ₱61.240 billion in 2020 due to decline in dependent out-of-home consumption categories such as RTD beverages and candies, partially offset by growth in snacks, noodles and other filler type categories.

  BCF international operations reported a 10.7% decrease in net sales from ₱23.783 billion in 2019 to ₱21.230 billion in 2020. In constant US dollar (US$) terms, sales decreased by 6.3% mainly driven by challenged sales of Vietnam and Thailand. Vietnam sales declined by 13.4% mainly driven by slowdown in beverages as C2 sales was unable to fully pull through despite recovery in the $2^{nd}$ half of the year and Rong Do remained challenged due to school closures. Thailand sales decreased by 3.2% due to soft domestic consumption.

  Sale of goods and services of BCFG, excluding packaging division, accounted for 70.5% of total URC consolidated sale of goods and services for 2020.

  Sale of goods and services in URC's packaging division decreased by 15.5% to ₱1.118 billion in 2020 from ₱1.324 billion recorded in 2019 due to lower selling price and volume.

- Sale of goods and services in URC's AIC group amounted to ₱29.574 billion in 2020, an increase of 6.5% from ₱27.761 billion recorded last year.

  - Sale of goods and services in URC's AIG segment amounted to ₱11.858 billion in 2020, a decline of 9.7% from ₱13.138 billion recorded in 2019. Feeds business decreased by 3.5% due to lower volumes while Farms business decreased by 24.2% due to lower volumes as a result of downsized operations.

  - Sale of goods and services in Flour business amounted ₱4.794 billion in 2020, a decline of 1.8% from ₱4.881 billion recorded in 2019 due to lower volumes, partially offset by better average selling price.

  - Sales of goods and services in Sugar business amounted to ₱9.836 billion in 2020 grew by 33.5% from ₱7.366 billion in 2019 due to higher volumes and Renewables business grew by 29.8% to ₱3.085 billion in 2021 driven by higher average selling price. The acquisition of Central Azucarera de La Carlota and Roxol Bioenergy Corporation contributed to the growth of Sugar and Renewables businesses.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales decreased by ₱2.066 billion or 2.6% to ₱78.573 billion in 2020 from ₱80.639 billion recorded in 2019 due to lower input costs and packaging materials, and forex impact.

URC's gross profit for 2020 amounted to ₱34.588 billion, higher by ₱824 million or 2.4% from ₱33.764 billion reported in 2019. Gross profit margin increased by 105 basis points from 29.51% in 2019 to 30.57% in 2020.

URC's selling and distribution costs and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses decreased by ₱329 million or 1.6% to ₱20.692 billion in 2020 from ₱21.021 billion registered in 2019. This decrease resulted primarily from the following factors:

- 2.5% or ₱183 million decrease in advertising and promotions to ₱7.270 billion in 2020 from ₱7.453 billion in 2019 due to controlled spending.

- 1.7% or ₱115 million decrease in freight and other selling expenses to ₱6.642 billion in 2020 from ₱6.757 billion in 2019 due to lower freight cost and logistic efficiencies.

- 46.3% or ₱62 million decrease in travel and transportation to ₱72 million in 2020 from ₱134 million in 2019 due to imposition of strict travel guidelines due to COVID-19.

- 54.9% or ₱190 million increase in repairs and maintenance to ₱536 million in 2020 from ₱346 million in 2019 due to higher software and hardware maintenance costs.

As a result of the above factors, operating income increased by ₱1.153 billion or 9.1% to ₱13.896 billion in 2020 from ₱12.743 billion reported in 2019. URC's operating income by segment was as follows:

- Operating income in URC's BCFG segment, excluding packaging division, increased by ₱363 million or 3.7% to ₱10.208 billion in 2020 from ₱9.846 billion in 2019. BCFG's domestic operations went up by 6.3% to ₱8.262 billion in 2020 from ₱7.775 billion in 2019 driven by better price and cost mix, and tempered input costs. International operations posted a ₱1.947 billion operating income in 2020, 6.0% lower than the ₱2.070 billion posted in 2019 driven by forex devaluations. In constant US dollar terms, international operations posted an operating income of US$39 million, a 1.4% decrease from previous year.

  URC's packaging division reported an operating income of ₱522 thousand in 2020 from an operating loss of ₱42 million reported in 2019 due to better margins.

- Operating income of AIC group amounted to ₱5.738 billion in 2020, an increase of 19.3% from ₱4.811 billion recorded last year.

  - Operating income in URC's AIG segment increased by ₱487 million or 54.9% to ₱1.374 billion in 2020 from ₱887 million in 2019 driven by better margins and controlled operating expenses in both feeds and farms businesses.

  - Operating income in Flour business increased by 10.0% or ₱111 million to ₱1.227 billion in 2020 from ₱1.116 billion in 2019 due to lower materials costs and operating expenses.

  - Sugar business grew by 0.3% or ₱7 million to ₱2.367 billion in 2020 from ₱2.360 billion in 2019 due to higher volume despite lower margins and higher expenses. Renewables business increased by 71.8% to ₱768 million due to higher average selling price of distillery segment.

URC reported an EBITDA (operating income plus depreciation and amortization) from continuing operations of ₱20.054 billion in 2020, 6.4% higher than ₱18.851 billion posted in 2019.

URC's finance costs consist mainly of interest expense, which increased by ₱15 million to ₱662 million in 2020 from ₱647 million recorded in 2019 due to increase in interest expense related to additional lease contracts qualifying under PFRS 16 in 2020.

URC’s finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱38 million to ₱324 million in 2020 from ₱286 million in 2019 due to higher dividend income.

Equity in net losses of joint ventures decreased to ₱62 million in 2020 from ₱178 million in 2019 due to lower share in net losses from VURCI and DURBI.

Net foreign exchange loss increased to ₱504 million in 2020 from the ₱487 million reported in 2019 due to appreciation of Philippine peso against US dollar.

Market valuation gain (loss) on financial instruments at fair value through profit or loss increased to ₱136 million gain in 2020 from ₱5 million loss in 2019 due to increase in market values of equity investments and decrease in fair value of derivative liability.

Impairment losses increased to ₱33 million in 2020 from ₱2 million in 2019 due to higher provision for impairment of receivables.

Other losses - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other losses - net amounted to ₱619 million in 2020, higher than the ₱339 million reported in 2019 mainly due to higher restructuring costs recognized in 2020.

URC recognized provision for income tax of ₱1.973 billion in 2020, a 21.8% increase from ₱1.620 billion in 2019 due to reversal of deferred tax assets on realized foreign exchange losses and realized restructuring costs.

URC’s net income from continuing operations amounted to ₱10.504 billion in 2020, higher by ₱754 million or 7.7%, from ₱9.750 billion in 2019 mainly driven by higher operating income and lower net finance costs.

URC’s net income from discontinued operations amounted to ₱1.120 billion in 2020, an increase of 207.4% from ₱365 million recorded in 2019 due to strong performance of Oceania businesses.

URC reported total net income of ₱11.625 billion in 2020, higher by ₱1.510 billion or 14.9% from ₱10.115 billion in 2019.

URC’s core earnings after tax (operating profit after equity earnings, net finance costs, other losses - net and provision for income tax) in 2020 amounted to ₱12.463 billion, an increase of 10.7% from ₱11.261 billion recorded in 2019.

Net income attributable to equity holders of the parent increased by ₱975 million or 10.0% to ₱10.747 billion in 2020 from ₱9.772 billion in 2019 as a result of the factors discussed above.

NCI represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC (51.0%-owned) and Unisnack Holding Company Ltd. (60.0%-owned). NCI in net income of subsidiaries increased from ₱343 million in 2019 to ₱878 million in 2020.

***Financial Condition***

URC’s financial position remains healthy with strong cash levels. The Company has a current ratio of 1.62:1 as of December 31, 2022, lower than the 1.73:1 as of December 31, 2021. Financial debt to equity ratio of 0.20 as of December 31, 2022 is within comfortable level. The Company is in a net debt position of ₱9.029 billion this year against the net asset position of ₱1.714 billion last year.

Total assets amounted to ₱169.954 billion as of December 31, 2022, higher than ₱153.446 billion as of December 31, 2021. Book value per share increased to ₱52.95 as of December 31, 2022 from ₱49.71 as of December 31, 2021.

The Company's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities in 2022 amounted to ₱11.351 billion. Net cash used in investing activities amounted to ₱8.040 billion, which were substantially used for fixed asset acquisitions. Net cash used in financing activities amounted to ₱7.018 billion due to dividend payment, partly offset by short-term debt availments.

The capital expenditures amounting to ₱9.135 billion include capacity expansion, sustainability projects, warehouse management systems, and rehabilitation/upgrade of beverage, snacks, and candies facilities in the Philippines; various capacity upgrades and sustainability projects in Thailand, Vietnam, Myanmar, and Malaysia; site development for Flour; upgrades and expansion of milling capacity and refinery in Sugar; rehabilitation of boiler in Distillery; expansion and upgrade of feedmill and farm houses in Agro-Industrial Group; and improvement of information systems in Corporate business.
The Company has budgeted various authorized but not yet disbursed capital expenditures (including maintenance capex) and investments for 2023, which substantially consist of the following:

- Acquisition of capacity expansions and improvement of information systems, handling, distribution, safety, quality control, and operational efficiencies throughout the branded consumers foods group;
- Improvement and maintenance capital expenditures for flour mill and renewables and business expansion and maintenance capital expenditures for sugar;
- Capacity expansion and maintenance expenditures for agro-industrial group and facilities improvement for packaging business; and
- Continues upgrade of information systems for corporate business

No assurance can be given that the Company's capital expenditure plan will not change or that the amount of capital expenditure for any project or as a whole will not change in future years from current expectations.

As of December 31, 2022, the Company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

***Financial Ratios***

The following are the major financial ratios that the Group uses. Analyses are employed by comparisons and measurements based on the financial information of the current year against last year.

| | **December 31, 2022** | December 31, 2021 (As Restated) |
|---|---|---|
| Liquidity: | | |
| Current ratio | **1.62:1** | 1.73:1 |
| Solvency: | | |
| Gearing ratio | **0.20:1** | 0.14:1 |
| Debt to equity ratio | **0.47** | 0.40 |
| Asset to equity ratio | **1.47** | 1.40 |

| | **CY 2022** | CY 2021 |
|---|---|---|
| Profitability: | | |
| Operating margin | **10.2%** | 10.9% |
| Earnings per share | **₱6.39** | ₱10.58 |
| Core earnings per share | **₱5.44** | ₱5.26 |
| Leverage: | | |
| Interest rate coverage ratio | **26.68** | 32.23 |

The Group calculates the ratios as follows:

| **Financial Ratios** | **Formula** |
|---|---|
| Current ratio | Current assets / Current liabilities |
| Gearing ratio | Total financial debt (short-term debt, trust receipts payable and long-term debt including current portion) / Total equity (equity holders + non-controlling interests) |
| Debt to equity ratio | Total liabilities (current + noncurrent) / Total equity (equity holders + non-controlling interests) |
| Asset to equity ratio | Total assets (current + noncurrent) / Total equity (equity holders + non-controlling interests) |
| Operating margin | Operating income / Sale of goods and services |
| Earnings per share | Net income attributable to equity holders of the parent / Weighted average number of common shares |
| Core earnings per share | Core earnings after tax / Weighted average number of common shares |
| Interest rate coverage ratio | Operating income plus depreciation and amortization / Finance costs |

**Material Changes in the 2022 Financial Statements**
**(Increase/Decrease of 5% or more versus 2021)**

Income statements – Year ended December 31, 2022 versus Year ended December 31, 2021

*28.2% increase in sales*
Due to strong volume and higher selling prices coupled with Munchy's contribution

*32.6% increase in cost of sales*
Due to higher sales and increasing material and fuel costs

*15.7% increase in selling and distribution cost*
Due to higher freight and handling costs aligned with higher sales volume and fuel cost

*15.4% increase in general and administrative expense*
Due to higher personnel-related costs, depreciation and travel, and transportation

*40.6% increase in finance cost*
Due to a higher level of interest-bearing financial liabilities and higher interest rates

*10.7% decrease in net foreign exchange gain*
Due to combined effects of local currency devaluations vis-à-vis US dollar this year

*316.1% increase in equity in net losses of joint ventures*
Due to equity take-up in net losses of VURCI

*42.8% decrease in impairment losses*
Due to lower impairment losses of fixed assets and spare parts during the year

*15.5% increase in finance revenue*
Due to higher dividend income

*19.3% decrease in market valuation gain on financial instruments at FVPL*
Due to a minimal increase in fair values of the financial instrument as compared to last year

*26.8% increase in other income - net*
Due to recognition of higher gain on sale of fixed assets this year and higher consultancy fees last year

*90.0% increase in provision for income tax*
Due to higher taxable income from sale of properties

*11.6% increase in net income from continuing operations*
Due to higher operating income coupled with gain on sale of properties

*100.0% decrease in net income from discontinued operations*
Due to recognition of gain on sale of Oceania businesses last year

Statements of Financial Position – December 31, 2022 versus December 31, 2021

*21.9% decrease in cash and cash equivalents*
Due to capital expenditures, dividend payment and purchase of treasury shares; partly offset by cash from operations and loan availments

*62.5% increase in financial instruments at FVPL*
Due to additional investments and increases in the market price of equity securities

*30.9% increase in receivables*
Due to increases in trade receivable coming from an increase in sales and nontrade receivable from the sale of property

*33.8% increase in inventories*
Due to increases in raw materials inventory, finished goods, and work-in-process on the back of higher input cost and volume

*37.8% increase in biological assets*
Due to the increase in hogs population coupled with improvement in hog mortalities

*29.3% increase in other current assets*
Due to increase in advances to suppliers related to the purchase of inventories

*6.6% increase in property, plant and equipment*
Due to capital expenditures partially offset by depreciation during the year

*9.6 % decrease in right-of-use assets*
Due to depreciation and derecognition during the year

*5.1% increase in intangible assets*
Due to cumulative translation adjustment during the year

*150.0% increase in investments in joint ventures*
Due to additional capital infusion to VURC, net of equity share in net losses during the year

*23.3% decrease in other noncurrent assets*
Due to decrease in noncurrent receivables related to the 2021 sale of properties

*12.9 % increase in accounts payable and other accrued liabilities*
Due to increase in accrued advertising and promotions

*50.6% increase in short-term debt*
Due to loan availments during the year

*41.3% increase in trust receipts payable*
Due to the increased utilization of trust receipt facilities during the year

*47.6% increase in income tax payable*
Due to higher tax provisions during the year, net of payments

*8.0% increase in deferred tax liabilities*
Mainly due to translation adjustment during the year

*8.3% decrease in lease liabilities*
Due to rent payments and amortization during the year

*9.5% increase in net pension liability*
Due to additional retirement expense this year offset by remeasurements in OCI

*7.2% increase in retained earnings*
Due to net income during the year, partly offset by dividend declaration

*63.3% increase in other comprehensive income*
Mainly due to increase in cumulative translation adjustments

*232.1% increase in treasury shares*
Due to reacquisition of issued shares during the year

*80.1% increase in equity attributable to non-controlling interests*
Due to equity share in the net income of NURC

The Company's key performance indicators are employed across all businesses. Comparisons are then made against internal target and previous period's performance. The Company and its significant subsidiaries' top five (5) key performance indicators are as follows (in million PhP):

| **Universal Robina Corporation (Consolidated)** | | | |
|---|---|---|---|
| | **CY 2022** | **CY 2021** | **Index** |
| Revenues | 149,904 | 116,955 | 128 |
| EBIT | 15,224 | 12,716 | 120 |
| EBITDA | 21,512 | 18,479 | 116 |
| Net Income | 14,471 | 24,246* | 60 |
| Total Assets (2021 - As Restated) | 169,954 | 153,446 | 111 |

| **URC International Co., Ltd. (Consolidated)** | | | |
|---|---|---|---|
| | **CY 2022** | **CY 2021** | **Index** |
| Revenues | 32,297 | 22,170 | 146 |
| EBIT | 2,603 | 1,696 | 153 |
| EBITDA | 4,402 | 3,380 | 130 |
| Net Income | 939 | 11,469* | 8 |
| Total Assets (2021 - As Restated) | 67,499 | 65,090 | 104 |

| **Nissin-URC** | | | |
|---|---|---|---|
| | **CY 2022** | **CY 2021** | **Index** |
| Revenues | 9,891 | 7,968 | 124 |
| EBIT | 1,403 | 1,283 | 109 |
| EBITDA | 1,638 | 1,493 | 110 |
| Net Income | 1,071 | 960 | 112 |
| Total Assets | 4,572 | 3,556 | 129 |

**Including net income from discontinued operations*

Majority of the above key performance indicators were within targeted levels.

**Item 7. Financial Statements**

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 42) are filed as part of this Form 17-A (pages 43 to 167).

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9. Independent Public Accountants and Audit Related Fees**

*Independent Public Accountants*

The Company's independent public accountant is the accounting firm of SyCip Gorres Velayo & Co. (SGV & Co.). The same accounting firm is tabled for reappointment for the current year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior year's meetings and are expected to be present at the current year's annual meeting of stockholders.

They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged.

The current handling partner of SGV & Co. has been engaged by the Company in 2016 and is expected to be rotated every seven (7) years.

*Audit-Related Fees*

The following table sets out the aggregate fees billed for each of the last three years for professional services rendered by SyCip, Gorres, Velayo & Co.

| | CY 2020 | CY 2021 | CY 2022 |
|---|---|---|---|
| Audit and Audit-Related Fees | ₱12,255,397 | ₱12,639,000 | ₱13,468,800 |
| Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements | None | None | 290,125 |
| Professional fees for due diligence review for bond/shares offering | None | None | None |
| Tax Fees | None | None | None |
| Other Fees | None | None | None |
| Total | ₱12,255,397 | ₱12,639,000 | ₱13,758,925 |

*Audit Committee's Approval Policies and Procedures for the Services Rendered by the External Auditors*

The Corporate Governance Manual of the Company provides that the Audit Committee shall, among others:

1. Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency, and effectiveness of policies, controls, processes and activities of the Company.
2. Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
3. Ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 10. Directors and Executive Officers of the Registrant

| Name | Age | Position | Citizenship |
|---|---|---|---|
| 1. James L. Go | 83 | Director, Chairman Emeritus | Filipino |
| 2. Lance Y. Gokongwei | 56 | Director, Chairman | Filipino |
| 3. Irwin C. Lee | 58 | President and Chief Executive Officer | Filipino |
| 4. Patrick Henry C. Go | 52 | Director, Executive Vice President | Filipino |
| 5. Johnson Robert G. Go, Jr | 57 | Director | Filipino |
| 6. Cesar V. Purisima | 62 | Director (Independent) | Filipino |
| 7. Rizalina G. Mantaring | 63 | Director (Independent) | Filipino |
| 8. Christine Marie B. Angco | 54 | Director (Independent) | Singaporean |
| 9. Antonio Jose U. Periquet Jr | 61 | Director (Independent) | Filipino |
| 10. David J. Lim, Jr. | 59 | Chief Supply Chain and Sustainability Officer | Filipino |
| 11. Francisco M. Del Mundo | 52 | Chief Investment, Strategy and Corporate Services Officer | Filipino |
| 12. Evelyn C. Ng | 44 | Chief Financial Officer | Filipino |
| 13. Anna Milagros D. David | 42 | Chief Marketing Officer | Filipino |
| 14. Elisa O. Abalajon | 55 | Chief Human Resources Officer and Agile Transformation Lead | Filipino |
| 15. Krishna Mohan Suri | 50 | Chief Research and Development Officer | Indian |
| 16. Socorro ML. Banting | 68 | Vice President | Filipino |
| 17. Karen Therese C. Salgado | 52 | Chief Information Officer | Filipino |
| 18. Rhodora T. Lao | 51 | Corporate Controller and Chief Compliance and Risk Officer | Filipino |
| 19. Charles Bernard A. Tañega | 50 | Treasurer | Filipino |
| 20. Maria Celia H. Fernandez-Estavillo | 51 | Corporate Secretary | Filipino |
| 21. Andrea Claire G. Alcancia | 29 | Assistant Corporate Secretary | Filipino |
| 22. Elvin Michael L. Cruz | 44 | Corporate Legal Counsel | Filipino |
| 23. Jose Miguel T. Manalang | 42 | Director, Strategy and Investor Relations | Filipino |

All of the above directors have served their respective offices since May 11, 2022. All of the above officers have served their respective offices since May 11, 2022 except Ms. Evelyn C. Ng who was appointed in her position on October 1, 2022. There are no directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of stockholders for any reason whatsoever.

A brief description of the directors and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

***James L. Go*** is the Chairman Emeritus of URC. He is the Chairman of JGSHI. He is also the Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation,the Vice Chairman of Robinsons Retail Holdings, Inc., and a Board Advisor of Cebu Air, Inc. since January 1, 2023. He is the Chairman Emeritus of Robinsons Land Corporation and JG Summit Olefins Corporation. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a Director of PLDT, Inc. ("PLDT") since November 3, 2011, and serves as an Advisor to the Audit Committee, and as a member of the Risk Committee and the Technology Strategy Committee of PLDT. He was elected a Director of Manila Electric Company ("MERALCO") on December 16, 2013 and is a member of the Executive Committee, Finance Committee, Nomination and Governance Committee, Audit Committee, Risk Management Committee, and Related Party Transactions Committee of MERALCO. Mr. James L. Go received his

Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

***Lance Y. Gokongwei*** is the Chairman of URC. He is the President and Chief Executive Officer of JGSHI. He is also the Chairman of Cebu Air, Inc., Robinsons Land Corporation, Robinsons Retail Holdings, Inc., Altus Property Ventures, Inc., Robinsons Bank Corporation, and JG Summit Olefins Corporation. He is a Director and a Vice Chairman of the Executive Committee of Manila Electric Company. He is also a Director of RL Commercial REIT, Inc., Oriental Petroleum and Minerals Corporation, Singapore Land Group Limited, Shakey's Asia Pizza Ventures, Inc., AB Capital and Investment Corporation, and Endeavor Acquisition Corporation. He is a Trustee and the Chairman of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.

***Irwin C. Lee*** has been the President and Chief Executive Officer of URC since May 14, 2018. Prior to joining URC, he was the Chief Executive Officer of Rustan Supercenters, Inc. and a director of Rose Pharmacy under Jardine Matheson's Dairy Farm Group. He brings with him more than 37 years of work experience in fast-moving consumer foods and retail across Asia, Europe, and the US. He started at Procter & Gamble (P&G) as a Finance Analyst and rose to key executive finance roles in various countries, including Chief Finance Officer roles in Indonesia, Japan/Korea, and Greater China. In 2004, he was appointed Vice President for P&G Greater China with dual roles as Chief Marketing Officer and as General Manager for the laundry detergent business, which he drove to market leadership. In 2007, he was appointed Managing Director for P&G UK and Ireland, where he delivered profitable growth through two recessions and led P&G's London 2012 Olympics program. In 2014, he rose to become P&G's Regional Head for Northern Europe, leading commercial operations across UK, Ireland, Sweden, Denmark, Norway, and Finland, and integrating P&G's second-largest international regional cluster. While in the UK, he spearheaded industry initiatives for connecting businesses to communities and enhancing employee engagement and well-being. After P&G, he served as Global Strategic Advisor for McKinsey and Co. to consumer and retail sector partners and engagement managers. He also sat as Board Director and Remuneration Committee Chairman for Wm Morrison Supermarkets Plc (one of the UK's top 4 grocery retailers). Mr. Irwin Lee graduated with a Bachelor of Science Degree in Commerce Major in Accounting from the De La Salle University Manila, Summa Cum Laude. He placed third in the CPA Licensure Exams in 1985.

***Patrick Henry C. Go*** is a director and the Executive Vice President of URC. He also heads the URC Packaging (BOPP) Division and Flexible Packaging Division. He is the President and Chief Executive Officer of JG Summit Olefins Corporation. He is also a director of JG Summit Holdings, Inc., Robinsons Land Corporation, Robinsons Bank Corporation, and Meralco Powergen Corporation. He is a trustee and treasurer of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Management from the Ateneo de Manila University and attended the General Manager Program at Harvard Business School. Mr. Patrick Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr.

***Johnson Robert G. Go, Jr.*** has been a director of URC since May 5, 2005. He is also a director of JGSHI, Robinsons Land Corporation, Robinsons Bank Corporation, and A. Soriano Corporation. He is also a trustee of the Gokongwei Brothers Foundation, Inc. He received his Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is a nephew of Mr. John L. Gokongwei, Jr.

***Cesar V. Purisima*** has been an independent director of URC since May 30, 2018. He is also an independent director of Ayala Corporation, Ayala Land, Inc., Jollibee Foods Corporation, Bank of the Philippine Islands, and BPI Capital Corporation. He is a member of the Board of Advisors of ABS-CBN Corporation. He is also a founding partner of lkhlas Capital Singapore Pte. Ltd., a pan-ASEAN private equity platform. He is a member of the Board of AlA Group Limited, a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation, and a member of Singapore Management University's lnternational Advisory Council in the Philippines. He is also a member of the board of trustees of the International School of Manila. He is an Asia Fellow at the Milken Institute, a global, non-profit, on-partisan think tank. He served in the government of the Philippines as Secretary of Finance and Chair of the Economic Development Cluster of the President's Cabinet from July 2010 to June 2016 and as Secretary of Trade and Industry from January 2004 to February 2005. He also previously served on the boards of several government institutions, including as a member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), Governor of the Asian Development Bank and World Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines, and Chairman of the Land Bank of the Philippines. Under his leadership, the Philippines received its first investment-grade ratings. He was named Finance Minister of the Year seven times in six consecutive years by some publications, a first for the Philippines. Before serving the government, Mr. Purisima was the Chairman & Country Managing Partner of the Philippines' largest professional services firm SGV & Co. He was conferred the Chevalier dans I'Ordre national de Ia Legion d'Honneur (Knight of the National Order of the Legion of Honour) by the President of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the President of the Philippines in 2016, and the Chevalier de I'Ordre national du Merite (Knight of the National Order of Merit) by the President of the French Republic in 2001. Mr. Purisima is a certified public accountant and has extensive experience in public accounting both in the Philippines and abroad. Mr. Purisima obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J.L. Kellogg Graduate School of Management, Northwestern University in 1983, and Doctor of Humanities honoris causa degree from Angeles University Foundation (Philippines) in 2012.

***Rizalina G. Mantaring*** has been an independent director of URC since August 13, 2020. She was the Chief Executive Officer and Country Head of Sun Life Financial Philippines until her retirement in June 2018. She assumed the chairmanship of Sun Life Financial Philippine Holding Co. until she stepped down in August 2019. She is also an independent director of Ayala Corporation Inc., Ayala Land, Inc., First Philippine Holdings Corporation Inc., PHINMA Corporation, East Asia Computer Center Inc., Maxicare Healthcare Corporation, and GoTyme Bank. She is also a director of Sun Life Grepa Financial Inc. Among her other affiliations are as a member of the Board of Trustees of the Makati Business Club, and Philippine Business for Education. She was also President of the Management Association of the Philippines and the Philippine Life Insurance Association. She is a recipient of the Asia Talent Management Award in the Asia Business Leaders Award 2017 organized by the global business news network CNBC, among other prestigious awards. She was selected as one of the 100 Most Outstanding Alumni of the past century by the University of the Philippines College of Engineering and received the PAX award, the highest award given to outstanding alumnae, in 2019 from St. Scholastica's College Manila. She holds a BS in Electrical Engineering degree from the University of the Philippines where she graduated with honors. She obtained her MS degree in Computer Science from the State University of New York at Albany.

***Christine Marie B. Angco*** has been an independent director of URC since August 13, 2020. Before joining URC, she spent 25 years in the multinational FMCG Corporation, Procter & Gamble. She was a Vice President and General Manager for several health and beauty-oriented categories handling businesses across Asia-Pacific countries, with profit & loss responsibility and organizational leadership of large diverse multicultural teams across Japan, Korea, Australia, Singapore, India, Philippines, Malaysia, Thailand, Vietnam, and Indonesia. She is also a member of the Board of Trustees of PhilDev, a non-governmental organization focused on education and entrepreneurship development in the Philippines. She is also a director of the Applied Behavior Consultants (ABC) Center which focuses on early intervention for children with autism. She obtained her Bachelor of Science degree in Management Engineering (Magna Cum Laude) from the Ateneo de Manila University.

***Antonio Jose U. Periquet, Jr.*** has been an independent director of URC since May 13, 2021. He is the Chairman and CEO of AB Capital & Investment Corporation, and Chairman of the Campden Hill Group, Inc. Mr. Periquet is also an independent director of the Max's Group of Companies, Philippine Seven Corporation, and Semirara Mining and Power Corporation, and a Board Advisor to the Bank of the Philippine Islands, DMCI Holdings Corporation and ABS-CBN Corporation. He is a trustee of the Lyceum University of the Philippines and a member of the Dean's Global Advisory Council at the University of Virginia's Darden School of Business. Mr. Periquet holds a Bachelor of Arts in Economics degree from the Ateneo de Manila University, a Master of Science degree in Economics from Oxford University, and an MBA from the Darden School of Business, University of Virginia.

***David J. Lim*, *Jr.*** is the Chief Supply Chain and Sustainability Officer of URC. He leads the Corporate Quality, Environment, Health and Safety, Sustainability, Corporate Engineering, Global Procurement, Corporate Planning and Logistics, and Global Manufacturing System of URC's Branded Consumer Foods Group Philippines and International. He was the Assistant Technical Director for JGSHI before joining URC in December of 2008. He earned his Bachelor of Science degree in Aeronautical Engineering from Imperial College, London, England, and obtained his Master of Science degree in Civil Structural Engineering from the University of California at Beverly, USA as well as his Master in Engineering from the Massachusetts Institute of Technology, USA.

***Francisco M. Del Mundo*** is the Chief Investments, Strategy, and Corporate Services Officer of URC. He joined the Gokongwei Group in 2013 and had previously held positions as Chief Financial Officer (CFO) of URC, CFO of URC International, CFO of JGSHI, and CFO of Aspen Business Solutions, Inc, (ABSI). He brings with him 29 years of experience in all aspects of the finance career. He has built his career from 17 years of rigorous training in Procter & Gamble (P&G) and 3 years in Coca-Cola prior to joining the Gokongwei Group. He has worked in three different markets: Manila, Thailand, and Singapore, and has held numerous CFO and Regional Finance Head positions, namely: CFO for ASEAN, Head of Accounting Shared Services for Central and Eastern Europe, Middle East and Africa, and Asia Hub Manager for Internal Controls for P&G. During his stint with Coca-Cola, he was the CFO for Coca-Cola Bottlers Philippines, Inc. and concurrently the CEO of Coca-Cola Bottlers Business Services, the company's global shared service handling Philippines, Singapore, and Malaysia. He graduated Cum Laude from the University of the Philippines Diliman with a Bachelor of Science in Business Administration degree. He was recognized as the Most Distinguished Alumnus of the University's College of Business Administration in 2008. He is also a Certified Internal Auditor and has done several external talks on shared service and finance transformation in Manila, Malaysia, and Dubai.

***Evelyn C. Ng*** is the Chief Financial Officer of URC. She joins URC after more than 21 years with Procter & Gamble (P&G) with a breadth of experiences across audit, accounting, controllership, forecasting, financial analysis, plant manufacturing finance, and tax. She has worked in the Philippines, Singapore, and Greater China; and assumed Finance leadership roles in Personal Cleansing, Skin Care, Cosmetics, Baby Care, and Oral Care. She was the Chief Financial Officer of P&G Philippines from 2012 to 2016 and most recently, P&G Vice President Comptroller for Asia, Middle East, and Africa and P&G Vice President for Asia Pacific Tax Operations. She graduated from the University of the Philippines (Diliman) Summa Cum Laude and University Valedictorian with a Bachelor of Science in Business Administration and Accountancy and topped the board (1st Place) in the Philippines National Licensure Examinations for Certified Public Accountants.

***Anna Milagros D. David*** is the Chief Marketing Officer of URC. She is also concurrently the Managing Director of URC International. She was previously co-Managing Director of BCFG Philippines, where she brought the Philippine operation to record growth through the pandemic. She started her career in URC as Vice President and Business Unit Head for URC Beverages, for which she led the turnaround of the business. Prior to joining URC in 2018, she was with Unilever for 17 years, with roles in both Marketing and Sales across markets. This includes Marketing Director (Philippines), CCD Sales Director

(Philippines), Global Brand Director (Dove), and Regional Marketing Director (Asean). She is currently on the Board of Directors for the Danone-URC and Vitasoy-URC Joint Ventures. She obtained her Bachelor of Arts degree in Economics (Honors) from the Ateneo de Manila University where she graduated Magna Cum Laude.

***Elisa O. Abalajon*** is the Chief Human Resources Officer and Agile Transformation Lead of URC. Prior to joining URC in 2016, she was the Southeast Asia HR Director of Mondelez International based in Singapore. She is a lawyer by profession having graduated with honors from the Ateneo de Manila School of Law. She received her Master's Degree in Business Administration from the Singapore Management University in 2013.

***Krishna Mohan Suri*** is the Chief Research & Development Officer of URC. Prior to joining URC in January 2017, he worked at Mondelez and Unilever where he held roles in R&D and Manufacturing across multiple locations in Asia. He obtained his Bachelor's degree in Chemical Engineering from the Indian Institute of Technology, Kharagpur (IIT), and received his Master's Degree in Chemical Engineering specializing in Simulation & Controls from IIT.

***Socorro M.L. Banting*** is a Vice President of URC. She is also an officer of other related companies of URC. Before joining URC in 1986, she worked with State Investment House, Inc. and Manila Midtown Hotel. She obtained her Bachelor of Science degree in Business Administration from the Ateneo de Davao University.

***Karen Therese C. Salgado*** was appointed Chief Information Officer of URC on October 15, 2020. Prior to joining URC, she was the Chief Information Officer of Rustans Supercenters, Inc. for 3 years. She was the Chief Information Officer for both the Philippines and the Asia Pacific region of Avon Cosmetics, Inc. She obtained her Bachelor of Science degree in Commerce from De La Salle University.

***Rhodora T. Lao*** is the Corporate Controller and Chief Compliance and Risk Officer of URC and was the Deputy Chief Finance Officer for Branded Consumer Foods Group of URC. She was formerly the Director for Strategic Initiatives and Group Controller for Coca-Cola Asia Pacific and held various finance roles in Avon APAC, Wyeth Philippines, International Distillers Philippines, and Nestle Philippines. She obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines where she graduated Cum Laude.

***Charles Bernard A. Tañega*** was appointed Treasurer of URC on May 29, 2019 and has been Deputy Treasurer since December 2016 handling primarily URC International Treasury and Bank Control. He is also the Finance Manager of URC Myanmar effective February 1, 2023. Prior to joining URC, he gained 20 years of work experience in sales, finance and treasury and he had a 12-year stint with Citibank N.A. where he was a Vice President working in Global Markets as Treasury Sales handling FX and short-term investment products. Later on, in Treasury and Trade Solutions where he was the product manager for the bank's cash and liquidity products. He obtained his Bachelor's Degree in Commerce majoring in Management of Financial Institutions from De La Salle University and received his Master's Degree in Management from the Asian Institute of Management.

***Maria Celia H. Fernandez-Estavillo*** is the Corporate Secretary of URC. She is also the Senior Vice President, General Counsel, and Corporate Secretary of JGSHI. She is also the Corporate Secretary of JG Summit Olefins Corporation and the Assistant Corporate Secretary of Gokongwei Brothers Foundation, Inc. She is a member of the British School Manila Board of Governors and a Trustee of the Solar Village Foundation. Prior to joining JG Summit Holdings, Inc. in March 2017, Atty. Fernandez-Estavillo was the head of the Legal and Regulatory Affairs Group, the Corporate Secretary, and a member of the Board of Directors of Rizal Commercial Banking Corporation. She was the Assistant Vice President of Global Business Development of ABS-CBN. She also held positions in government as Head of the Presidential Management Staff, Assistant Secretary at the Department of Agriculture, and Chief of Staff of Senator Edgardo J. Angara. She began her legal career in ACCRA. She graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics (Summa Cum Laude) and a Bachelor of Laws degree (Cum Laude). She completed her Master of Laws (LLM) in Corporate Law from the New York University School of Law. She received the highest score in the Philippine Bar examinations of 1997.

***Andrea Claire G. Alcancia*** is the Assistant Corporate Secretary of URC and an Associate Legal Counsel of JGSHI. Prior to joining the JG Group, she was an associate at SyCip Salazar Hernandez & Gatmaitan (SyCipLaw) and was a member of the firm's Special Projects, and Banking, Finance, and Securities practice groups. She received her Bachelor's degree in Business Administration, Cum Laude, from the University of the Philippines in 2014 and her Juris Doctor degree from the same university in 2018. She was admitted to the Philippine Bar in 2019.

***Elvin Michael L. Cruz*** is the Corporate Legal Counsel of URC. Prior to his appointment, he was a Director in the General Counsel Group of JG Summit Holdings, Inc. Before joining the JG Group, Atty. Cruz was the First Vice President and head of the Litigation Department of Rizal Commercial Banking Corporation. He started his legal career in Ponce Enrile Reyes & Manalastas (PECABAR) before joining Andres Marcelo Padernal Guerrero & Paras Law Offices. He graduated from the University of the Philippines College of Law and was admitted to the Philippine Bar in 2002.

***Jose Miguel T. Manalang*** is the Corporate Strategy and Investor Relations Director of URC. He began his career as a management trainee in JGSHI and has worked in various roles in URC and JGSHI under corporate planning, finance, strategy, and general management. He received his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

The members of the Company's board of directors and executive officers can be reached at the address of its registered office at 8th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Philippines.

*Involvement in Certain Legal Proceedings of Directors and Executive Officers*

None of the members of the Board of Directors and Executive Officers of the Company are involved in any criminal, bankruptcy or insolvency investigations or proceedings.

*Family Relationships*

- Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.
- Mr. Lance Y. Gokongwei is the nephew of Mr. James L. Go.
- Mr. Patrick Henry C. Go is the nephew of Mr. James L. Go.
- Mr. Johnson Robert G. Go is the nephew of Mr. James L. Go.

**Item 11. Executive Compensation**

The following summarizes certain information regarding compensation paid or accrued during the last two (2) years and to be paid in the ensuing year to the Company's Directors and Executive Officers:

| | Estimated – CY2023 | | | | Actual | |
|---|---|---|---|---|---|---|
| | Salary | Bonus | Others | Total | CY 2022 | CY 2021 |
| CEO and four (4) most highly compensated executive officers | ₱115,356,670 | ₱600,000 | ₱300,000 | ₱116,256,670 | ₱110,329,382 | ₱105,559,388 |
| All officers and directors as a group unnamed | 266,425,171 | 4,800,000 | 2,940,000 | 274,165,171 | 260,311,388 | 253,998,095 |

*Standard Arrangements*

There are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed year and the ensuing year.

*Other Arrangements*

There are no other arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed year and the ensuing year.

*Employment Contracts and Termination of Employment and Change-in-Control Arrangement*

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

There are no compensatory plans or arrangements with respect to a named executive officer.

*Warrants and Options Outstanding*

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

## Item 12. Security Ownership of Certain Beneficial Owners and Management

### (1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2022, URC knows no one who beneficially owns in excess of 5% of URC's common stock except as set forth in the table below.

| Title of Class | Names and addresses of record owners and relationship with the Corporation | Name of beneficial owner and relationship with record owner | Citizenship | No. of Shares Held | % to Total Outstanding |
|---|---|---|---|---|---|
| Common | JGSHI<br>43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City<br>(stockholder) | Same as record owner<br>(See Note 1) | Filipino | 1,215,223,061 | 55.78% |
| Common | PCD Nominee Corporation<br>(Non-Filipino)<br>G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City<br>(stockholder) | PCD Participants and their clients<br>(See Note 2) | Non-Filipino | 521,667,582 | 23.94% |
| Common | PCD Nominee Corporation<br>(Filipino)<br>G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City<br>(stockholder) | PCD Participants and their clients<br>(See Note 2) | Filipino | 429,042,724 | 19.69% |

1. The Chairman and the President are both empowered under the By-Laws of JGSHI to vote any and all shares owned by JGSHI, except as otherwise directed by the Board of Directors. The incumbent Chairman and Chief Executive Officer JGSHI are Mr. James L. Go and Mr. Lance Y. Gokongwei, respectively.

2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.

3. Out of the PCD Nominee Corporation account, "The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Acct." and "Deutsche Bank Manila - Clients A/C" hold for varios trust accounts the following shares of the Corporation as of December 31, 2021:

| | No. of shares | % to Outstanding |
|---|---|---|
| The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Acct | 273,536,026 | 12.55% |
| Deutsche Bank Manila - Clients A/C | 216,528,723 | 9.93% |
| Citibank N.A | 171,073,367 | 7.85% |

Voting instructions may be provided by the beneficial owners of the shares.

### (2) Security Ownership of Management

| Title of Class | Name of beneficial Owner | Position | Amount & nature of beneficial ownership | Citizenship | % to Total Outstanding |
|---|---|---|---|---|---|
| Named Executive Officers[1] | | | | | |
| Common | 1. James L. Go | Director, Chairman Emeritus | 1,148,001 | Filipino | 0.05% |
| Common | 2. Lance Y. Gokongwei | Director, Chairman | 913,235 | Filipino | 0.04% |
| Common | 3. Irwin C. Lee | Director, President and Chief Executive Officer | 400,001 | Filipino | 0.02% |
| | Sub-total | | 2,461,237 | | 0.11% |
| Other Directors, Executive Officers and Nominees | | | | | |
| Common | 4. Patrick Henry C. Go | Director, Executive Vice President | 45,540 | Filipino | * |
| Common | 5. Johnson Robert G. Go, Jr. | Director | 1 | Filipino | * |
| Common | 6. Cesar V. Purisima | Director (Independent) | 1 | Filipino | * |
| Common | 7. Rizalina G. Mantaring | Director (Independent) | 7,401 | Filipino | * |
| Common | 8. Christine Marie B. Angco | Director (Independent) | 1 | Singaporean | * |
| Common | 9. Antonio Jose U. Periquet Jr. | Director (Independent) | 500,000 | Filipino | 0.02% |
| Common | 10. Anna Milagros D. David | Chief Marketing Officer | 49,630 | Filipino | * |
| Common | 11. Evelyn C.Ng | Chief Financial Officer | 10,400 | Filipino | * |
| Common | 12. Jose Miguel T. Manalang | Director, Strategy and Investor Relations | 3,000 | Filipino | * |
| | Sub-total | | 615,974 | | 0.03% |
| | All directors and executive officers as a group unnamed | | 3,077,211 | | 0.14% |

1 As defined under Part IV (B) (1) (b) of Annex “C” of SRC Rule 12, the “named executive officers” to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2022.

* less than 0.01%

### (3) Voting Trust Holders of 5% or more

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

### Item 13. Certain Relationships and Related Transactions

The Company, in its regular conduct of business, had engaged in transactions with its major stockholder, JGSHI and its affiliated companies. See Note 32 (Related Party Transactions) of the Notes to Consolidated Financial Statements (page 138) in the accompanying Audited Financial Statements filed as part of this Form 17-A.

## PART IV – CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

### Item 14. A Corporate Governance

The Group adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Ethics and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Group observes good governance and management practices. This is to assure the shareholders that the Group conducts its business with the highest level of integrity, transparency and accountability.

The Group likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards (PFRSs).

### Item 14. B Sustainability Report

Refer to attached Sustainability Report.

## PART V - EXHIBITS AND SCHEDULES

### Item 15. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits (page 42)
(b) Reports on SEC Form 17-C (Page 39)

**UNIVERSAL ROBINA CORPORATION**
**LIST OF CORPORATE DISCLOSURES/REPLIES TO SEC LETTERS**
**UNDER SEC FORM 17-C**
**JUNE 1, 2022 TO DECEMBER 31, 2022**

| Date of Disclosure | Description |
|---|---|
| June 1-13, 2022 | Disclosure on Share Buy-back Transactions |
| June 14, 2022 | Clarification of News Reports |
| June 14 – July 14, 2022 | Disclosure on Share Buy-back Transactions |
| July 29, 2022 | a. Press release entitled “URC hits record high sales for the first half of 2022”<br>b. Disclosure on the Extension of the Share Buy-back Program |
| August 8, 9, 15, 16, and 22, 2022 | Disclosure on Share Buy-back Transactions |
| August 11, 2022 | Change in Shareholdings of Directors and/or Principal Officers – Acquisition of shares by Mr. James L. Go |
| August 16, 2022 | Change in Shareholdings of Directors and/or Principal Officers – Acquisition of shares by Mr. Irwin C. Lee |
| September 30, 2022 | Change in Directors and/or Officers – Change in designation, promotion and appointment of officers |
| November 4, 2022 | Press release entitled “URC reports record high sales in Q3 2022” |

**SIGNATURES**

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Quezon on the 28th of March, 2023.

**UNIVERSAL ROBINA CORPORATION**
Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the dates indicated.

By:

IRWIN C. LEE
President and Chief Executive Officer
Date March 28, 2023

EVELYN C. NG
Chief Financial Officer
Date March 28, 2023

MARIA CELIA H. FERNANDEZ-ESTAVILLO
Corporate Secretary
Date March 28, 2023

QUEZON CITY MAR 3 0 2023

SUBSCRIBED AND SWORN to before me this 28 day of March, 2023 affiants exhibiting to me his/their Community Tax Certificates, as follows:

| NAMES | DOCUMENT NO. | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|
| Irwin C. Lee | Passport No. P8857404A | 09.23.18 | Quezon City |
| Evelyn C. Ng | Passport No. P7653208B | 09.21.21 | Manila |
| Maria Celia H. Fernandez-Estavillo | Passport No P5542345A | 01.06.18 | Quezon City |

Doc. No. 294;
Page No. 60;
Book No. 105;
Series of 2023.

ATTY. CONCEPCION P. VILLAREÑA
Notary Public for Quezon City
Until December 31, 2023
PTR No. 3716371 / January 3, 2023 Q.C
IBP No. 167893 / November 25, 2021 Q.C
Roll No. 30457 / 05-09-1980
MCLE VII-0006994 / 09-21-2021
ADM. MATTER No. NP-005 (2022-2023)
TIN NO. 131-942-754

## UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

## INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

### FORM 17- A, Item 7

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Universal Robina Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, 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 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 to do so.

The Board of Directors is responsible for overseeing the Group'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.

Sycip, Gorres, Velayo and Co., the independent auditors appointed by the stockholders, have audited the consolidated financial statements in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

LANCE Y. GOKONGWEI
Chairman

IRWIN C. LEE
President and
Chief Executive Officer

EVELYN C. NG
Chief Financial Officer

QUEZON CITY MAR 30 2023

SUBSCRIBED AND SWORN to before me this 28th day of March, 2023 affiant(s) exhibiting to me the following documents as follows:

| NAMES | DOCUMENT TYPE | DOCUMENT NUMBER | DATE OF ISSUE | PLACE OF ISSUE |
|---|---|---|---|---|
| Lance Y. Gokongwei | Passport | P6235422B | 02.05.21 | Quezon City |
| Irwin C. Lee | Passport | P8857404A | 09.23.18 | Quezon City |
| Evelyn C. Ng | Passport | P7653208B | 09.21.21 | Manila City |

Doc No. 296
Page No. 61
Book No. 15
Series of 2023

ATTY. CONCEPCION P. VILLARENA
Notary Public for Quezon City
Until December 31, 2023
PTR No. 3716371 / January 3, 2023 Q.C
IBP No. 167803 / November 25, 2021 Q.C
Roll No. 30457 / 05-09-1980
MCLE VII-0006994 / 09-21-2021
ADM. MATTER No. NP-005 (2022-2023)

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph



**INDEPENDENT AUDITOR'S REPORT**

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

## Opinion

We have audited the consolidated financial statements of Universal Robina Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022 and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

## 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 *Auditor's 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 consolidated 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

A key audit matter is one that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter below was 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 this matter. The description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

***Finalization of Purchase Price Allocation on acquisition of Munchy's***

In 2021, the Group acquired 100% ownership interest in Crunchy Foods, Inc., which owns Munchy Food Industries and its 100%-owned subsidiary Munchworld Marketing for a total consideration of ₱24.6 billion. PFRS requires that when an entity acquires interest in a subsidiary, the fair values of the net assets of the subsidiary must be determined at acquisition date, including the identification and recognition of intangible assets. In 2021, the purchase price allocation was determined on a provisional basis. PFRS provides for a measurement period of one year from the date of acquisition wherein the acquirer may adjust provisional amounts.

The finalization of the purchase price allocation in 2022 is significant to our audit because it required significant management judgment and estimation in the identification and measurement of goodwill and other intangible assets particularly, on the forecasted revenue used, discount rates, and estimated royalty rates, and in the determination of the fair values of other nonfinancial assets and liabilities. The goodwill and other intangible assets with indefinite useful lives recognized on the acquisition amounted to ₱17.5 billion and ₱4.0 billion, respectively. The significant estimates used and disclosures in relation to the finalization of the purchase price allocation are included in Notes 3 and 14 to the consolidated financial statements.

*Audit Response*
We obtained an understanding of the valuation methodologies and key inputs in the purchase price allocation. We involved our internal specialists in the review of the valuation methodologies and key assumptions. We assessed the reasonableness of revenue growth and terminal growth rate (%) by comparing these to the historical performance of Munchy's, industry/market outlook and other relevant external data. For royalty rates applied in the forecasted revenue, the Group used the average benchmark royalty rates of comparable transactions. We checked the appropriateness of entities used as comparables to determine the average benchmark royalty rates. We assessed the reasonableness of discount rates used to value certain assets by comparing these to published reference rates, and assessing whether the underlying parameters used represent current market assumptions of risks specific to the assets being valued. We reviewed the fair values the property, plant and equipment by making references to comparable properties and whether the adjustments made to arrive at the concluded value properly considered differences in characteristics such as location and size. We also assessed the reasonableness of the management's adjustment on the replacement costs for the physical and economic obsolescence of depreciable assets. We also assessed and validated the adequacy and appropriateness of the related disclosures in the consolidated financial statements.

***Recoverability of Goodwill and Intangible Assets with indefinite useful lives***

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to perform annual impairment tests on its goodwill and intangible assets with indefinite useful lives. As of December 31, 2022, the Group's goodwill attributable to the acquisition of Munchy's, and other entities amounted to ₱19.4 billion. The Group's intangible assets with indefinite useful lives consist of brands and trademarks, trade secrets and product formulation totaling ₱4.7 billion. The annual impairment test is significant to our audit because: (a) the balances of goodwill and intangible assets with indefinite useful lives are material to the consolidated financial statements; and (b) the determination of the recoverable amount of the cash-generating units (CGUs) to which goodwill is attributed, and as it relates to the other intangible assets with indefinite useful lives, involves significant management judgment and assumptions about the future results of business. The significant assumptions used in determining the recoverable amounts of these assets, specifically revenue growth rate (%), discount rate (%) and the terminal growth rate (%) that are applied to the cash flow forecasts, are subject to higher level of estimation uncertainty due to the current economic conditions.

The Group's disclosures about goodwill and other intangible assets with indefinite lives are included in Notes 3 and 14 to the consolidated financial statements.

*Audit response*
We evaluated the methodologies and the assumptions used in the value-in-use calculations. These assumptions include revenue growth rate, discount rate and the terminal growth rate. We compared the key assumptions used against the historical performance of the cash-generating unit (CGU), industry/market outlook and other relevant external data. We also assessed the reasonableness of the discount rate used by comparing these against entities with similar risk profiles, capital structures, industries, and market information. In all cases as applicable, we considered the impact associated with current economic conditions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.

**Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2022 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2022, which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 PFRSs, 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.

**Auditor's 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 auditor's 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 casts 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 auditor's report to the related disclosures in the consolidated 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 auditor's 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 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, related safeguards.

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 auditor's 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 auditor's report is Miguel U. Ballelos, Jr.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109950-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9369777, January 3, 2023, Makati City

March 28, 2023

## UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2022** | 2021 (As Restated – Note 14) |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 7) | **₱13,251,218,657** | ₱16,957,684,321 |
| Financial assets at fair value through profit or loss (Note 8) | **834,807,019** | 513,705,225 |
| Receivables (Note 9) | **21,955,634,905** | 16,766,426,332 |
| Inventories (Note 10) | **38,064,661,840** | 28,446,987,863 |
| Biological assets (Note 13) | **205,303,346** | 132,144,916 |
| Other current assets (Note 11) | **5,843,068,721** | 4,517,854,573 |
| | **80,154,694,488** | 67,334,803,230 |
| **Noncurrent Assets** | | |
| Property, plant and equipment (Note 12) | **60,117,371,432** | 56,383,043,210 |
| Right-of-use assets (Note 34) | **2,001,572,293** | 2,215,167,047 |
| Biological assets (Note 13) | **205,740,429** | 166,105,594 |
| Goodwill (Note 14) | **19,363,084,093** | 18,751,709,896 |
| Intangible assets (Note 14) | **4,864,394,301** | 4,628,618,661 |
| Investments in joint ventures (Note 15) | **138,060,136** | 55,228,221 |
| Deferred tax assets (Note 29) | **450,002,299** | 447,528,495 |
| Other noncurrent assets (Note 16) | **2,658,709,936** | 3,464,267,621 |
| | **89,798,934,919** | 86,111,668,745 |
| **TOTAL ASSETS** | **₱169,953,629,407** | ₱153,446,471,975 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and other accrued liabilities (Note 18) | **₱25,480,972,213** | ₱22,578,884,570 |
| Short-term debts (Notes 17 and 19) | **11,762,287,539** | 7,808,029,451 |
| Trust receipts payable (Notes 10 and 19) | **11,457,712,536** | 8,106,662,079 |
| Income tax payable | **426,388,653** | 288,842,084 |
| Lease liabilities - current portion (Note 34) | **273,499,481** | 245,682,038 |
| | **49,400,860,422** | 39,028,100,222 |
| **Noncurrent Liabilities** | | |
| Deferred tax liabilities (Note 29) | **2,161,335,900** | 2,032,345,574 |
| Lease liabilities - net of current portion (Note 34) | **2,001,355,296** | 2,235,085,558 |
| Net pension liability (Note 28) | **419,736,694** | 383,206,789 |
| | **4,582,427,890** | 4,650,637,921 |
| | **53,983,288,312** | 43,678,738,143 |

*(Forward)*

| | December 31 | |
|---|---|---|
| | **2022** | 2021 |
| **Equity** | | |
| Equity attributable to equity holders of the parent | | |
| Paid-up capital (Note 19) | **₱23,422,134,732** | ₱23,422,134,732 |
| Retained earnings (Note 19) | **95,304,192,226** | 88,907,647,831 |
| Other comprehensive income (Note 20) | **5,333,718,849** | 3,266,429,260 |
| Equity reserve (Note 19) | **(5,062,245,488)** | (5,075,466,405) |
| Treasury shares (Note 19) | **(3,652,109,120)** | (1,099,761,235) |
| | **115,345,691,199** | 109,420,984,183 |
| Equity attributable to non-controlling interest (Note 19) | **624,649,896** | 346,749,649 |
| | **115,970,341,095** | 109,767,733,832 |
| **TOTAL LIABILITIES AND EQUITY** | **₱169,953,629,407** | ₱153,446,471,975 |

*See accompanying Notes to Consolidated Financial Statements.*

## UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **CONTINUING OPERATIONS** | | | |
| **SALE OF GOODS AND SERVICES** (Notes 21 and 33) | **₱149,903,643,832** | ₱116,954,788,444 | ₱113,161,785,302 |
| **COST OF SALES** (Note 21) | **110,686,464,075** | 83,489,653,157 | 78,573,438,418 |
| **GROSS PROFIT** | **39,217,179,757** | 33,465,135,287 | 34,588,346,884 |
| Selling and distribution costs (Note 22) | **18,608,820,271** | 16,082,615,159 | 16,159,980,873 |
| General and administrative expenses (Note 23) | **5,384,755,135** | 4,666,125,109 | 4,531,919,017 |
| **OPERATING INCOME** | **15,223,604,351** | 12,716,395,019 | 13,896,446,994 |
| Finance costs (Note 27) | **(806,175,065)** | (573,284,799) | (661,728,977) |
| Net foreign exchange gain (losses) | **383,483,794** | 346,265,153 | (504,164,262) |
| Equity in net losses of joint ventures (Note 15) | **(378,967,690)** | (91,077,671) | (61,973,952) |
| Provision for credit and impairment losses (Notes 9, 10 and 12) | **(327,038,490)** | (572,219,061) | (32,583,003) |
| Finance revenue (Note 26) | **295,018,267** | 255,372,110 | 323,640,769 |
| Market valuation gain on financial assets and liabilities at fair value through profit or loss - net (Note 8) | **70,404,256** | 87,194,548 | 136,239,105 |
| Other income (losses) - net (Notes 12, 16, and 18) | **3,011,156,673** | 2,375,334,123 | (618,541,378) |
| **INCOME BEFORE TAX FROM CONTINUING OPERATIONS** | **17,471,486,096** | 14,543,979,422 | 12,477,335,296 |
| **PROVISION FOR INCOME TAX** (Note 29) | **3,000,198,031** | 1,578,671,226 | 1,973,205,320 |
| **NET INCOME FROM CONTINUING OPERATIONS** | **₱14,471,288,065** | ₱12,965,308,196 | ₱10,504,129,976 |
| **DISCONTINUED OPERATIONS** | | | |
| **NET INCOME AFTER TAX FROM DISCONTINUED OPERATIONS** (Note 30) | – | 11,280,571,602 | 1,120,472,734 |
| **NET INCOME** | **₱14,471,288,065** | ₱24,245,879,798 | ₱11,624,602,710 |
| **NET INCOME ATTRIBUTABLE TO:** | | | |
| Equity holders of the parent (Note 31) | **₱13,956,141,883** | ₱23,323,672,422 | ₱10,746,720,491 |
| Non-controlling interests (Notes 15 and 19) | **515,146,182** | 922,207,376 | 877,882,219 |
| | **₱14,471,288,065** | ₱24,245,879,798 | ₱11,624,602,710 |
| **EARNINGS PER SHARE** (Note 31) | | | |
| Basic/diluted, for income attributable to equity holders of the parent | **₱6.39** | ₱10.58 | ₱4.88 |

*See accompanying Notes to Consolidated Financial Statements.*

# UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **NET INCOME** | **₱14,471,288,065** | ₱24,245,879,798 | ₱11,624,602,710 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Items to be reclassified to profit or loss in subsequent periods, net of tax*: | | | |
| Cumulative translation adjustments (Note 20) | **1,929,092,653** | 1,294,472,221 | (1,566,642,568) |
| Gain (loss) on cash flow hedge (Note 20) | **–** | 31,878,965 | (31,878,965) |
| | **1,929,092,653** | 1,326,351,186 | (1,598,521,533) |
| *Items not to be reclassified to profit or loss in subsequent periods:* | | | |
| Remeasurement gain (loss) on defined benefit plans (Notes 20 and 28) | **230,091,870** | 644,591,283 | (203,848,275) |
| Income tax effect | **(57,522,968)** | (207,839,764) | 61,154,482 |
| Unrealized gain (loss) on financial assets at fair value through other comprehensive income (Notes 16 and 20) | **24,850,000** | 5,830,000 | (890,000) |
| | **197,418,902** | 442,581,519 | (143,583,793) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | **2,126,511,555** | 1,768,932,705 | (1,742,105,326) |
| **TOTAL COMPREHENSIVE INCOME** | **₱16,597,799,620** | ₱26,014,812,503 | ₱9,882,497,384 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:** | | | |
| Equity holders of the parent | **₱16,023,431,472** | ₱24,856,084,867 | ₱9,251,349,055 |
| Non-controlling interests | **574,368,148** | 1,158,727,636 | 631,148,329 |
| | **₱16,597,799,620** | ₱26,014,812,503 | ₱9,882,497,384 |

*See accompanying Notes to Consolidated Financial Statements.*

# UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Parent | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-up Capital (Note 19) | | | Retained Earnings (Note 19) | | | Other Comprehensive Income (Loss) (Note 20) | | | | | | | | | |
| | Capital Stock | Additional Paid-in Capital | Total Paid-up Capital | Unappropriated Retained Earnings | Appropriated Retained Earnings | Total Retained Earnings | Cumulative Translation Adjustments (Note 20) | Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 16) | Unrealized Gain (Loss) on Cash Flow Hedge | Remeasurement Gain (Loss) on Defined Benefit Plans | Total Other Comprehensive Income (Loss) | Equity Reserve (Note 19) | Treasury Shares (Note 19) | Total | Equity Attributable to Non-controlling Interest (Notes 15 and 19) | Total Equity |
| **Balances as at January 1, 2022** | **₱2,230,160,190** | **₱21,191,974,542** | **₱23,422,134,732** | **₱88,907,647,831** | **₱–** | **₱88,907,647,831** | **₱3,417,686,647** | **₱59,510,000** | **₱–** | **(₱210,767,387)** | **₱3,266,429,260** | **(₱5,075,466,405)** | **(₱1,099,761,235)** | **₱109,420,984,183** | **₱346,749,649** | **₱109,767,733,832** |
| **Net income for the year** | – | – | – | **13,956,141,883** | – | **13,956,141,883** | – | – | – | – | – | – | – | **13,956,141,883** | **515,146,182** | **14,471,288,065** |
| **Other comprehensive income** | – | – | – | – | – | – | **1,872,914,779** | **24,850,000** | – | **169,524,810** | **2,067,289,589** | – | – | **2,067,289,589** | **59,221,966** | **2,126,511,555** |
| **Total comprehensive income** | – | – | – | **13,956,141,883** | – | **13,956,141,883** | **1,872,914,779** | **24,850,000** | – | **169,524,810** | **2,067,289,589** | – | – | **16,023,431,472** | **574,368,148** | **16,597,799,620** |
| **Cash dividends** (Note 19) | – | – | – | **(7,559,597,488)** | – | **(7,559,597,488)** | – | – | – | – | – | – | – | **(7,559,597,488)** | **(295,470,000)** | **(7,855,067,488)** |
| **Acquisition of new subsidiary** (Note 19) | – | – | – | – | – | – | – | – | – | – | – | **13,220,917** | – | **13,220,917** | – | **13,220,917** |
| **Derecognition of noncontrolling interest** | – | – | – | – | – | – | – | – | – | – | – | – | – | – | **(997,901)** | **(997,901)** |
| **Purchase of treasury shares** (Note 19) | – | – | – | – | – | – | – | – | – | – | – | – | **(2,552,347,885)** | **(2,552,347,885)** | – | **(2,552,347,885)** |
| **Balances as at December 31, 2022** | **₱2,230,160,190** | **₱21,191,974,542** | **₱23,422,134,732** | **₱95,304,192,226** | **₱–** | **₱95,304,192,226** | **₱5,290,601,426** | **₱84,360,000** | **₱–** | **(₱41,242,577)** | **₱5,333,718,849** | **(₱5,062,245,488)** | **(₱3,652,109,120)** | **₱115,345,691,199** | **₱624,649,896** | **₱115,970,341,095** |
| Balances as at January 1, 2021 | ₱2,230,160,190 | ₱21,191,974,542 | ₱23,422,134,732 | ₱70,448,067,424 | ₱– | ₱70,448,067,424 | ₱2,344,845,823 | ₱53,680,000 | (₱19,127,379) | (₱645,381,629) | ₱1,734,016,815 | (₱2,665,824,256) | (₱679,489,868) | ₱92,258,904,847 | ₱5,525,257,087 | ₱97,784,161,934 |
| Net income for the year | – | – | – | 23,323,672,422 | – | 23,323,672,422 | – | – | – | – | – | – | – | 23,323,672,422 | 922,207,376 | 24,245,879,798 |
| Other comprehensive income | – | – | – | – | – | – | 1,072,840,824 | 5,830,000 | 19,127,379 | 434,614,242 | 1,532,412,445 | – | – | 1,532,412,445 | 236,520,260 | 1,768,932,705 |
| Total comprehensive income | – | – | – | 23,323,672,422 | – | 23,323,672,422 | 1,072,840,824 | 5,830,000 | 19,127,379 | 434,614,242 | 1,532,412,445 | – | – | 24,856,084,867 | 1,158,727,636 | 26,014,812,503 |
| Cash dividends (Note 19) | – | – | – | (7,273,734,164) | – | (7,273,734,164) | – | – | – | – | – | – | – | (7,273,734,164) | (433,650,000) | (7,707,384,164) |
| Acquisition of new subsidiary (Note 15) | – | – | – | – | – | – | – | – | – | – | – | – | – | – | 341,291,632 | 341,291,632 |
| Derecognition of noncontrolling interest (Note 30) | – | – | – | – | – | – | – | – | – | – | – | – | – | – | (6,244,876,706) | (6,244,876,706) |
| Reclass of equity reserves (Note 19) | – | – | – | 2,409,642,149 | – | 2,409,642,149 | – | – | – | – | – | (2,409,642,149) | – | – | – | – |
| Purchase of treasury shares (Note 19) | – | – | – | – | – | – | – | – | – | – | – | – | (420,271,367) | (420,271,367) | – | (420,271,367) |
| Balances as at December 31, 2021 | ₱2,230,160,190 | ₱21,191,974,542 | ₱23,422,134,732 | ₱88,907,647,831 | ₱– | ₱88,907,647,831 | ₱3,417,686,647 | ₱59,510,000 | ₱– | (₱210,767,387) | ₱3,266,429,260 | (₱5,075,466,405) | (₱1,099,761,235) | ₱109,420,984,183 | ₱346,749,649 | ₱109,767,733,832 |
| Balances as at January 1, 2020 | ₱2,230,160,190 | ₱21,191,974,542 | ₱23,422,134,732 | ₱64,644,456,817 | ₱2,000,000,000 | ₱66,644,456,817 | ₱3,678,701,625 | ₱54,570,000 | ₱– | (₱503,883,374) | ₱3,229,388,251 | (₱2,665,824,256) | (₱679,489,868) | ₱89,950,665,676 | ₱5,233,836,518 | ₱95,184,502,194 |
| Net income for the year | – | – | – | 10,746,720,491 | – | 10,746,720,491 | – | – | – | – | – | – | – | 10,746,720,491 | 877,882,219 | 11,624,602,710 |
| Other comprehensive loss | – | – | – | – | – | – | (1,333,855,802) | (890,000) | (19,127,379) | (141,498,255) | (1,495,371,436) | – | – | (1,495,371,436) | (246,733,890) | (1,742,105,326) |
| Total comprehensive income | – | – | – | 10,746,720,491 | – | 10,746,720,491 | (1,333,855,802) | (890,000) | (19,127,379) | (141,498,255) | (1,495,371,436) | – | – | 9,251,349,055 | 631,148,329 | 9,882,497,384 |
| Cash dividends (Note 19) | – | – | – | (6,943,109,884) | – | (6,943,109,884) | – | – | – | – | – | – | – | (6,943,109,884) | (343,000,000) | (7,286,109,884) |
| Acquisition of new subsidiary | – | – | – | – | – | – | – | – | – | – | – | – | – | – | 3,272,240 | 3,272,240 |
| Reversal of appropriation of retained earnings (Note 19) | – | – | – | 2,000,000,000 | (2,000,000,000) | – | – | – | – | – | – | – | – | – | – | – |
| Balances as at December 31, 2020 | ₱2,230,160,190 | ₱21,191,974,542 | ₱23,422,134,732 | ₱70,448,067,424 | ₱– | ₱70,448,067,424 | ₱2,344,845,823 | ₱53,680,000 | (₱19,127,379) | (₱645,381,629) | ₱1,734,016,815 | (₱2,665,824,256) | (₱679,489,868) | ₱92,258,904,847 | ₱5,525,257,087 | ₱97,784,161,934 |

*See accompanying Notes to Consolidated Financial Statements.*

# UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax from continuing operations | **₱17,471,486,096** | ₱14,543,979,422 | ₱12,477,335,295 |
| Income before income tax from discontinued operations (Note 30) | – | 11,599,742,265 | 1,278,949,112 |
| Income before income tax | **17,471,486,096** | 26,143,721,687 | 13,756,284,407 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 24 and 30) | **6,288,252,700** | 6,964,546,747 | 7,364,956,117 |
| Loss (gain) on sale/disposals of property, plant and equipment and investment property (Notes 12 and 16) | **(3,281,365,960)** | (3,183,838,706) | 3,151,000 |
| Finance costs (Notes 27 and 30) | **806,175,065** | 1,313,541,255 | 1,440,491,530 |
| Net foreign exchange losses (gains) (Note 30) | **(383,483,794)** | (357,418,904) | 486,271,868 |
| Equity in net losses of joint ventures (Notes 15 and 30) | **378,967,690** | 91,077,671 | 30,387,041 |
| Provision for credit and impairment losses (Notes 9, 10 and 12) | **327,038,490** | 572,219,061 | 32,583,003 |
| Finance revenue (Notes 26 and 30) | **(295,018,267)** | (272,412,394) | (342,722,549) |
| Pension expense (Note 28) | **241,735,564** | 313,644,955 | 221,475,059 |
| Market valuation gain on financial assets at fair value through profit or loss - net (Note 8) | **(70,404,256)** | (87,194,548) | (136,239,105) |
| Gain arising from changes in fair value less estimated costs to sell of biological assets (Note 13) | **(311,493)** | (2,550,156) | (37,039,948) |
| Gain on sale of business (Note 30) | – | (10,100,438,582) | – |
| Unamortized debt issue cost recognized as expense on pre-termination of long-term debts | – | 92,120,744 | – |
| Loss on sale of financial assets at fair value through OCI | – | 580,000 | – |
| Operating income before working capital changes | **21,483,071,835** | 21,487,598,830 | 22,819,598,423 |
| Decrease (increase) in: | | | |
| Receivables | **(2,605,431,253)** | (471,993,520) | (1,608,936,413) |
| Inventories | **(10,122,658,594)** | (4,118,047,111) | (2,046,782,286) |
| Biological assets | **(228,333,481)** | (149,317,080) | 653,186,037 |
| Other current assets | **(1,866,648,789)** | (1,255,115,410) | (98,416,313) |
| Increase (decrease) in: | | | |
| Accounts payable and other accrued liabilities | **4,184,752,123** | 342,129,083 | 3,557,926,082 |
| Trust receipts payable | **3,300,488,410** | 546,700,633 | (1,257,836,274) |
| Net cash generated from operations | **14,145,240,251** | 16,381,955,425 | 22,018,739,256 |
| Income taxes paid | **(2,399,394,053)** | (1,847,176,445) | (2,253,123,509) |
| Interest paid | **(565,663,230)** | (925,492,541) | (884,404,162) |
| Contributions to retirement plan (Note 28) | **(200,415)** | (344,863,044) | (252,232,263) |
| Interest received | **170,897,069** | 202,061,065 | 276,644,858 |
| Net cash provided by operating activities | **11,350,879,622** | 13,466,484,460 | 18,905,624,180 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisitions of: | | | |
| Property, plant and equipment (Note 12) | **(9,134,912,018)** | (13,199,692,100) | (11,136,695,250) |
| Subsidiary, net of cash acquired (Note 14) | **(486,014,976)** | (22,565,594,339) | – |
| Financial assets at fair value through profit or loss | **(162,665,091)** | (77,103,380) | – |
| Investments in joint ventures (Note 15) | **(80,879,150)** | (100,000,000) | – |
| Intangible assets | **(3,101,422)** | – | |
| Proceeds from sale/disposal of: | | | |
| Property, plant and equipment and investment property (Notes 12 and 16) | **1,827,682,799** | 1,984,600,073 | 41,083,408 |
| Business, net of cash disposed (Note 30) | – | 22,292,159,390 | – |
| Financial assets at fair value through OCI | – | 50,000 | – |
| Financial assets at fair value through profit or loss | – | – | 25,750 |
| Decrease (increase) in other noncurrent assets | **(80,447,447)** | 3,710,795 | (321,475,301) |
| Dividends received (Note 8) | **80,757,174** | 32,302,870 | 64,605,739 |
| Net cash used in investing activities | **(8,039,580,131)** | (11,629,566,691) | (11,352,455,654) |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payments of/from: | | | |
| Short-term debts (Notes 17 and 35) | **(₱15,740,000,000)** | (₱4,002,001,432) | (₱3,202,003,095) |
| Principal portion of lease liabilities (Note 34) | **(500,349,782)** | (814,968,947) | (830,570,104) |
| Availments of short-term debts (Notes 17 and 35) | **19,630,000,000** | 9,200,000,000 | 2,125,000,000 |
| Purchase of treasury shares (Note 19) | **(2,552,347,885)** | (420,271,367) | – |
| Cash dividends paid (Note 19) | **(7,855,067,488)** | (7,707,384,164) | (7,286,109,884) |
| Increase in other noncurrent liabilities | **–** | – | 21,646,161 |
| Net cash used in financing activities | **(7,017,765,155)** | (3,744,625,910) | (9,172,036,922) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(3,706,465,664)** | (1,907,708,141) | (1,618,868,396) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **16,957,684,321** | 18,865,392,462 | 20,484,260,858 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **₱13,251,218,657** | ₱16,957,684,321 | ₱18,865,392,462 |

*See accompanying Notes to Consolidated Financial Statements.*

# UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Universal Robina Corporation (hereinafter referred to as "the Parent Company" or "URC") was incorporated on September 28, 1954, domiciled in the Republic of the Philippines, and is listed in the Philippine Stock Exchange. On October 28, 2002, the Parent Company's corporate life was extended for another 50 years or until September 28, 2054. The registered office address of the Parent Company is at 8th Floor Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila.

The Parent Company is a majority owned subsidiary of JG Summit Holdings, Inc. ("the Ultimate Parent Company" or "JGSHI").

The Parent Company and its subsidiaries (hereinafter referred to as "the Group") is one of the largest branded food products companies in the Philippines and has a strong presence in ASEAN markets. The Group is involved in a wide range of food-related businesses which are organized into two (2) business segments: branded consumer foods and agro-industrial and commodity foods.

Branded consumer foods (BCF) segment, including packaging division, manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. The Parent Company also engages in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products.

The agro-industrial and commodity food segment operates three divisions: (1) agro-industrial group (AIG) engages in hog and poultry farming, production and distribution of animal health products and manufacture and distribution of animal feeds, glucose and soya bean products; (2) flour division engages in flour milling and pasta manufacturing; and (3) sugar and renewable division (SURE) engages in sugar milling and refining, and renewable energy development.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and non-pioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of three (3) years to seven (7) years from respective start dates of commercial operations (see Note 33).

The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

The principal activities of the Group are further described in Note 6.

## 2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), inventories that have been measured at lower of cost and net realizable value (NRV) and biological assets and agricultural produce that have been measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. All values are rounded to the nearest peso except when otherwise stated.

The functional currencies of the Group's consolidated foreign subsidiaries follow:

| Subsidiaries | Country of Incorporation | Functional Currency |
|---|---|---|
| URC Asean Brands Co. Ltd. (UABCL) | British Virgin Islands | US Dollar |
| Hong Kong China Foods Co. Ltd. (HCFCL) | - do - | - do - |
| URC International Co. Ltd. (URCICL) | - do - | - do - |
| Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy) | China | Chinese Renminbi |
| URC China Commercial Co. Ltd. (URCCCL) | - do - | - do - |
| Xiamen Tongan Pacific Food Co., Ltd. | - do - | - do - |
| Guangzhou Peggy Foods Co., Ltd. | - do - | - do - |
| Shantou SEZ Shanfu Foods Co., Ltd. | - do - | - do - |
| Jiangsu Acesfood Industrial Co., Ltd. | - do - | - do - |
| Shantou Peggy Co. Ltd. | - do - | - do - |
| URC Hong Kong Company Limited | Hong Kong | Hong Kong Dollar |
| PT URC Indonesia | Indonesia | Indonesian Rupiah |
| URC Snack Foods (Malaysia) Sdn. Bhd. (URC Malaysia) | Malaysia | Malaysian Ringgit |
| Ricellent Sdn. Bhd. | - do - | - do - |
| Crunchy Foods Sdn. Bhd (Malaysia) | - do - | - do - |
| Munchy Food Industries Sdn. Bhd | - do - | - do - |
| Munchworld Marketing Sdn Bhd | - do - | - do - |
| URC Foods (Singapore) Pte. Ltd. | Singapore | Singapore Dollar |
| Advanson International Pte. Ltd. (Advanson) | - do - | - do - |
| Pan Pacific Investments Co. Ltd. (PPICL) | - do - | - do - |
| URC Equity Ventures Pte. Ltd. | - do - | - do - |
| URC (Thailand) Co., Ltd. | Thailand | Thai Baht |
| Siam Pattanasin Co., Ltd. | - do - | - do - |
| URC (Myanmar) Co. Ltd. | Myanmar | Myanmar Kyat |
| URC Vietnam Co., Ltd. | Vietnam | Vietnam Dong |
| URC Hanoi Company Limited | - do - | - do - |
| URC Central Co. Ltd. | - do - | - do - |

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned direct subsidiaries as of December 31, 2022 and 2021.

| Subsidiaries | Place of Incorporation | Effective Percentages of Ownership |
|---|---|---|
| CFC Corporation | Philippines | 100.00 |
| Bio-Resource Power Generation Corporation (BRPGC) | - do - | 100.00 |
| Najalin Agri-Ventures, Inc. (NAVI) | - do - | 95.82 |
| URC Snack Ventures Inc. (USVI) | - do - | 100.00 |
| URC Beverage Ventures, Inc. (UBVI) | - do - | 100.00 |
| Nissin - URC (NURC) | - do - | 51.00 |
| *(Forward)* | | |
| URC Philippines, Ltd. (URCPL) | British Virgin Islands | 100.00 |
| URCICL and Subsidiaries* | - do - | 100.00 |
| Universal Robina (Cayman), Ltd. (URCL) | Cayman Islands | 100.00 |
| URCCCL and a Subsidiary | China | 100.00 |

**Subsidiaries are located in Vietnam, Thailand, Myanmar, Indonesia, Malaysia, Singapore, China and Hong Kong*

On December 23, 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, bought 40% of Oceania businesses (Snack Brands Australia and Griffin's Food Limited), which resulted in the reduction of URC's ownership interest in Oceania from 100% to 60% (see Note 19). Further, on October 29, 2021, URC sold its remaining 60% ownership interest to Intersnack (see Note 30).

*Control*
Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a 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 Group re-assesses 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. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position and consolidated statement of comprehensive income from the date the Parent Company gains control until the date it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

Any changes in the Group's ownership interest in subsidiary that does not result in a loss of control is accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in the consolidated statement of income; and
- reclassifies 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Some of the Group's subsidiaries have a local statutory accounting reference date of September 30. These are consolidated using management prepared information on a basis coterminous with the Group's accounting reference date.

Below are the subsidiaries with a different accounting reference date from that of the Parent Company:

| Subsidiaries* | Year-end |
|---|---|
| Bio-resource Power Generation Corporation | September 30 |
| Najalin Agri-Ventures, Inc. | -do- |

**Dormant/non-operating subsidiaries*

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. This policy also covers purchase of assets that constitutes acquisition of a business.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss in the consolidated statement of income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the Group attains control) and the resulting gain or loss, if any, is recognized in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Combinations of Entities under Common Control
Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent (i.e., Controlling Shareholders) before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Q&A No. 2011-02, PFRS 3.2 - *Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

In applying the pooling of interests method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements 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 that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the 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 reflected within equity as other equity reserve, i.e., either contribution or distribution of equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Goodwill
Goodwill arising from the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's 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 of the Group 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 a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in the consolidated statement of income as a gain on bargain purchase.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses, if any. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see further discussion under Impairment of nonfinancial assets).

Where goodwill forms part of a cash-generating unit 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.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning January 1, 2022. Unless otherwise indicated, the adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

    - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those 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.

    - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

**Significant Accounting Policies**

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

The Group measures certain financial instruments and nonfinancial assets at fair value at each reporting date. Fair values of financial instruments measured at amortized cost and investment properties carried at cost are disclosed in Note 5.

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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

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, as explained above.

Cash and Cash Equivalents

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 with original maturities of three months or less from dates of placement, and that are subject to insignificant risk of changes in value.

Financial Instruments
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.

a) Financial assets
*Initial recognition and measurement*
Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows which are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its 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. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Subsequent measurement*
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Group as of December 31, 2022 and 2021 consist of financial assets at amortized cost, financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), derivative assets and financial assets at FVTPL (equity instruments).

*Financial assets at amortized cost (debt instruments)*
Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, receivables and security deposits.

*Financial assets designated at FVOCI (equity instruments)*
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in club shares under this category.

*Financial assets at FVTPL*
Debt instruments that do not meet the amortized cost criteria, or meets the criteria but the Group has designated as at FVTPL upon initial recognition, are classified as financial assets at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- upon initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of income.

This category includes equity instruments which the Group had not irrevocably elected to classify at fair value through OCI and currency options.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

*Derecognition*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) 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 the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of ownership 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 of the asset. When it has neither transferred nor retained substantially all of 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 its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a 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 could be required to repay.

*Impairment of financial assets*
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk (SICR) since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such nontrade receivables, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a SICR in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a SICR since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a SICR since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 60 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

*Determining the stage for impairment*
At each reporting date, the Group assesses whether there has been an SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analyses.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

*Staging assessment*
PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12-month ECL.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for financial assets that are in default. The Group considers a financial asset in default when contractual payments are 30-60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Financial liabilities

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at FVTPL*

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group does not have financial liabilities at FVTPL as of December 31, 2022 and 2021.

*Financial liabilities at amortized cost*

This is the category most relevant to the Group. It pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial recognition, these financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Group's accounts payable and accrued liabilities (excluding advances from customers, advances from third parties, statutory and taxes payables), short-term debts and trust receipts payable.

*Derecognition*
A financial liability is derecognized when the obligation under the liability is discharged, 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories, including goods-in-process, are recorded at cost and subsequently valued at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

When the inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales' in the consolidated statement of income in the period when the related revenue is recognized.

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

*Finished goods, goods-in-process, raw materials, containers and packaging materials, and spare parts and supplies*
Cost is determined using the weighted average method. The cost of raw materials, containers and packaging materials, and spare parts and supplies consist of their purchase cost. The cost of finished goods and goods-in-process include direct materials and labor, and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

*Materials in-transit*
Cost is determined on a specific identification basis.

Biological Assets

The biological assets of the Group are divided into two major categories with sub-categories as follows:

| | |
|---|---|
| Swine livestock | - Breeders (livestock bearer)<br>- Sucklings (breeders' offspring)<br>- Weanlings (comes from sucklings intended to be breeders or to be raised as fatteners/finishers)<br>- Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat and meat products or to be sold live) |
| Poultry livestock | - Breeders (livestock bearer)<br>- Chicks (breeders' offspring intended to be sold as breeders) |

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce of swine livestock are hog carcasses, while the agricultural produce of poultry livestock are table eggs and hatched chick. These are then subsequently measured following PAS 2, *Inventories*.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in the consolidated statement of income in the period in which it arises.

Property, Plant and Equipment

Property, plant and equipment, except land, are carried at cost less accumulated depreciation and amortization and accumulated impairment losses, if any.

The initial cost of an item of property, plant and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Cost also includes interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction.

Land is stated at cost less any impairment in value.

Subsequent costs are capitalized as part of the 'Property, plant and equipment' in the consolidated statement of financial position, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost of repairs and maintenance are expensed when incurred.

Foreign exchange differentials arising from foreign currency borrowings used for the acquisition of property, plant and equipment are capitalized to the extent that these are regarded as adjustments to interest costs.

Depreciation and amortization of property, plant and equipment commence once the property, plant and equipment are available for use and are computed using the straight-line method over the estimated useful life (EUL) of the assets regardless of utilization.

The EUL of property, plant and equipment of the Group follows:

| | Years |
|---|---|
| Land improvements | 5 to 10 |
| Buildings and improvements | 10 to 30 |
| Machinery and equipment | 10 |
| Transportation equipment | 5 |
| Furniture, fixtures and equipment | 5 |

Leasehold improvements are amortized over the shorter of their EUL or the corresponding lease terms. The residual values, useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed periodically and adjusted, if appropriate, at each reporting date to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction-in-progress and equipment in transit are stated at cost, net of accumulated impairment losses, if any. This includes the cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress and equipment in transit are not depreciated until such time as the relevant assets are completed and put into operational use.

Construction in-progress and equipment in transit are transferred to the related ‘Property, plant and equipment’ in the consolidated statement of financial position when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for service.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use or disposal of the asset. Any gain or loss arising from the derecognition of the property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income, in the period the item is derecognized.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Investment Properties
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment loss, if any. Land is carried at cost less any accumulated impairment loss, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the cost of day-to-day servicing of an investment property.

Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up.

The Group's investment properties consist solely of buildings and building improvements and are depreciated using the straight-line method over their EUL ranging from 10 to 30 years (see Note 16).

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic useful benefits from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. If 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 (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is its fair value at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

The useful lives of intangible assets with a finite life are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over the asset's EUL and assessed for impairment, whenever there is an indication that the intangible assets 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. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level (see further discussion under Impairment of nonfinancial assets).

Such intangibles are not amortized. The assessment of indefinite useful life is reviewed annually to determine whether the 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.

A summary of the policies applied to the Group's intangible assets follows:

| | EUL | Amortization method used | Internally generated or acquired |
|---|---|---|---|
| Product formulation | Indefinite | No amortization | Acquired |
| Brands/Trade secrets | Indefinite | No amortization | Acquired |
| Trademarks | Finite (4 years) | Straight line amortization | Acquired |
| Software costs | Finite (10 years) | Straight line amortization | Acquired |
| Customer relationship | Finite (35 years) | Straight line amortization | Acquired |

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income when the asset is derecognized.

Investment in Joint Ventures

The Group has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties who have joint control over the arrangement have rights to the net assets of the arrangement.

The Group's investment in joint venture is accounted for using the equity method of accounting.

Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture. The consolidated statement of income reflects the Group's share in the results of operations of the joint venture. Where there has been a change recognized directly in the investees' equity, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the consolidated statement of changes in equity. Profits and losses arising from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint ventures.

The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or joint venture. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and joint venture not recognized during the period the equity method was suspended.

The investee company's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment (see Note 12), right-of-use assets (see Note 34), investment properties (see Note 16), investments in joint ventures (see Note 15), goodwill and intangible assets (see Note 14).

Except for goodwill and intangible assets with indefinite useful lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount.

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 (or cash-generating unit). In determining fair value less costs of disposal, recent market transactions are taken into account.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized under 'Provision for credit and impairment losses' in the consolidated statement of income.

The following criteria are also applied in assessing impairment of specific assets:

*Property, plant and equipment, right-of-use assets, investment properties, intangible assets with definite useful lives, and investments in joint ventures*
For property, plant and equipment, investment properties, intangible assets with definite useful lives, 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 and an impairment assessment is performed. For investments in joint ventures, this impairment assessment is done after application of the equity method. 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 statement of income. After such a reversal, the depreciation and amortization expense are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

*Goodwill and intangible assets with indefinite useful lives*
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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 to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Discontinued Operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The disposal group is excluded from the results of continuing operations and is presented as a single amount as 'Net income after tax from discontinued operations' in the consolidated statement of income.

Additional disclosures are provided in Note 30. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

Revenue Recognition
Revenue from contracts with customers is recognized 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. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

*Sale of goods*
Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception using the expected value method and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right to return the goods within a specific period.

*Sale of sugar and molasses*
Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment of delivery and acceptance by the customers. Sale of molasses is recognized upon (a) surrendering of molasses certificates (warehouse receipts for molasses) or (b) delivery and acceptance by the customer for physical molasses, whichever comes first.

*Rendering of tolling services*
Revenue derived from tolling activities is recognized as revenue over time as the related services are being rendered.

Revenue outside the scope of PFRS 15:

*Dividend income*

Dividend income is recognized when the shareholder's right to receive the payment is established.

*Interest income*

Interest income is recognized as it accrues using the EIR method under which interest income is recognized at the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (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 can be made of the amount of the obligation. 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, where appropriate, 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 under 'Finance cost' in the consolidated statement of income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but 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 disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Pension Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period 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 any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit 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 profit or loss.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

*Termination benefit*
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

*Employee leave entitlement*
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Income Taxes

*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in countries where the Group operates and generates taxable income.

*Deferred tax*

Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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
- In respect of taxable temporary differences associated with investments in 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 from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused 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 future taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in 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 future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets 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 income will allow the deferred tax assets to be recognized.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Such deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

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.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sale of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sale of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority by each entity is included as part of 'Other current assets' or 'Accounts payable and other accrued liabilities' in the consolidated statement of financial position.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases
The Group assesses whether a contract is, or contains a lease, at the inception of a contract. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Group as a lessee*
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use (ROU) assets representing the right to use the underlying assets.

*Right-of-use assets*
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and any estimated costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets, which are presented under 'Noncurrent Assets' in the consolidated statement of financial position, are subject to impairment.

The depreciation period for each class of ROU assets follows:

| | Period |
|---|---|
| Land and land improvements | 10 years |
| Buildings and improvements | 2-20 years |
| Machinery and equipment | 2 years |
| Transportation equipment | 2 years |
| Furniture and fixtures | 2 years |

*Lease liabilities*
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflected the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date if the interest rate implicit to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases*
The Group applies the short-term lease recognition exemption to its short-term leases of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

*Group as a lessor*
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

*Rent income*
Rent income arising from investment properties is accounted for on a straight-line basis over the lease term on ongoing leases and is included in other loss in the consolidated statement of income.

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting 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. Cost and expenses are recognized when incurred.

Foreign Currency Translation/Transactions
The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

*Transactions and balances*
Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the reporting date. Differences arising from settlement or translation of monetary items are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences are also dealt with in statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

*Group companies*
As of reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange prevailing at reporting date and their respective statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity as 'Cumulative translation adjustments' under 'Other comprehensive income'. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

The Group has determined that the cumulative translation adjustments will not be realized in the foreseeable future. Therefore, the Group does not recognize deferred tax liabilities on its cumulative translation adjustments.

Common Stock
Capital stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income (loss), dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. Any consideration paid or received in connection with treasury shares are recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. When shares are sold, the treasury share account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to additional paid-in capital.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Equity Reserves
Equity reserves arise from transactions in which the proportion of equity held by non-controlling interests changes. These are initially measured as the difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid or received. Equity reserves are attributed to the owners of the Parent Company.

Dividends on Common Stocks
Dividends on common shares are recognized as a liability and deducted from equity when approved by the Board of Directors (BOD) of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

Earnings Per Share (EPS)
Basic EPS is computed by dividing consolidated net income attributable to equity holders of the Parent Company (consolidated net income less dividends on preferred shares) by the weighted average number of common stocks issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the consolidated net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment Reporting
The Group's operating businesses 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 business segments is presented in Note 6 to the consolidated financial statements.

Events after Reporting Date
Any post year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

- Amendments to PAS 8, *Definition of Accounting Estimates*
  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  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 (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with omparative figures required. Early application is permitted.

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes 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.

3. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. *Revenue recognition on sale of goods and services*
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the Group will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

   i. *Existence of a contract*
   The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement/exclusive distributorship agreement constitute a valid contract.

   ii. *Identifying performance obligation*
   The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

   Based on management assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling revenue.

   iii. *Recognition of revenue as the Group satisfies the performance obligation*
   The Group recognizes its revenue for sale of goods at a point in time, when the goods are sold and delivered and for tolling activities, overtime as services are being rendered. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

iv. *Method to estimate variable consideration and assess constraint*
The Group uses historical experience with key accounts and distributors from the past 12 months to determine the expected value of rights of return and constrain the consideration under the contract accordingly.

v. *Recognition of milling revenue under output sharing agreement and cane purchase agreement*
The Group applies both output sharing agreement and cane purchase agreement in relation to milling operations. Under output sharing agreement, milling revenue is recognized based on the fair value of the millshare at average raw sugar selling price on the month with sugar production after considering in-purchase, which represents cane purchase agreement. Under cane purchase agreement, the Group purchases raw sugar from the traders and/or planters. The in-purchase rate is derived by determining the total raw sugar purchases and the total planters' share. Raw production costs are allocated systematically based on the output sharing and cane purchase agreement rates.

b. *Determining whether it is reasonably certain that a renewal and termination option will be exercised - the Group as a lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include renewal and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

c. *Discontinued operations*
The Group determined that the sale of the Oceania businesses will qualify for presentation as discontinued operations in 2021 since it represents a separate line of business for which the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group (Note 30).

Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Assessment of ECL on trade receivables*
The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

The Group has assessed that the ECLs on trade receivables is not material because significant amount of its receivables are normally collected within one year. The carrying amount of trade receivables is ₱15.2 billion and ₱12.9 billion as at December 31, 2022 and 2021, respectively (see Note 9).

b. *Assessment for 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 other 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 an SICR since initial recognition in which case lifetime ECLs are provided.

When determining if there has been a SICR, 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 that are more than 60 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent an SICR 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 provision for ECL on other financial assets at amortized cost was recognized in 2022 and 2021.

c. *Determination of fair values less estimated costs to sell of biological assets*
The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

As of December 31, 2022 and 2021, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱411.0 million and ₱298.3 million, respectively (see Note 13). For the years ended December 31, 2022, 2021 and 2020, the Group recognized gain arising from changes in the fair value less costs to sell of biological assets amounting to ₱0.3 million, ₱2.6 million, and ₱37.0 million, respectively (see Note 13). Changes in fair value of biological assets are recognized in the consolidated statements of income.

d. *Impairment of goodwill and intangible assets with indefinite useful lives*
The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period.

The following assumptions were also used in computing value in use:

*Growth rate estimates* - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

*Discount rates* - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is most sensitive to changes in discount rate and growth rate.

As of December 31, 2022 and 2021, the balance of the Group's goodwill and intangible assets with indefinite useful lives and accumulated impairment losses follow:

| | **2022** | 2021 |
|---|---|---|
| Goodwill (Note 14) | **₱19,363,084,093** | ₱18,751,709,896 |
| Intangible assets (Note 14) | **4,770,556,696** | 4,628,618,661 |

e. *Assessment of impairment of nonfinancial assets*
The Group assesses the impairment of its nonfinancial assets (i.e., property, plant and equipment, right-of-use assets, investment properties, investments in joint venture and intangible assets with finite useful lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business such as plans to discontinue or restructure the operation to which an asset belongs; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from recent, binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

For the year ended December 31, 2022 and 2021, the Group recognized impairment losses on its property, plant and equipment amounting to ₱323.0 million and ₱432.6 million, respectively. For the year ended December 31, 2020, no impairment loss was recognized (see Note 12).

For the years ended December 31, 2022, 2021 and 2020, the Group did not recognize any impairment losses on its right-of-use assets (see Note 34), investment properties (see Note 16), goodwill and its other intangible assets (see Note 14).

As of December 31, 2022 and 2021, the balances of the Group's nonfinancial assets with finite useful lives, excluding biological assets, net of accumulated depreciation, amortization and impairment losses follow:

| | **2022** | 2021 |
|---|---|---|
| Property, plant and equipment (Note 12) | **₱37,601,271,282** | ₱36,737,006,100 |
| Right-of-use assets (Note 34) | **2,001,572,293** | 2,215,167,047 |
| Intangible assets (Note 14) | **93,837,606** | − |
| Investment properties (Note 16) | **1,958,173** | 26,750,788 |

*f. Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination*

The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property (see Note 12). Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

g. *Estimation of pension and other benefits costs*
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 28). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future salary increase rates of the Group.

As of December 31, 2022 and 2021, the balance of the Group's present value of defined benefit obligations and other benefits is shown in Note 28 to the consolidated financial statements.

h. *Recognition of deferred income tax assets*
The Group reviews the carrying amounts of its deferred income taxes at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no guarantee that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized. As of December 31, 2022 and 2021, the Group recognized net deferred tax assets amounting to ₱450.0 million and ₱447.5 million, respectively (see Note 29), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱2.2 billion and ₱2.0 billion as of December 31, 2022 and 2021, respectively (see Note 29).

The recognized and unrecognized deferred tax assets for the Group are disclosed in Note 29.

i. *Valuation of ROU assets and lease liabilities*
The application of PFRS 16 requires the Group to make assumptions that affect the valuation of its ROU assets and lease liabilities. These include determining the length of the lease term and determining the interest rate to be used for discounting future cash flows.

*Lease term*. The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

*Discount rate.* The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is determined using risk-free rates applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

*j. Estimation of useful life of intangible assets*
The Group determines the EUL of its intangible assets based on the period over which the assets are expected to be available for use. The Group reviews annually the EUL of these intangible assets based on factors that include asset utilization, internal technical evaluation, and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of intangible assets would increase the recorded amortization expense.

With more than 30 product brands listed under its umbrella, Munchy's is considered to be a well-known brand in Malaysia. Trademarks pertain to signs, designs, or expressions that identify products related to Munchy's brand which set them apart from others. Munchy's has improved the technology, manufacturing procedures, and design of its production lines. All of these are regarded as trade secrets. Management determined the useful life of these intangible assets to be indefinite since there is no foreseeable limit to the period over which the brands, trademarks, and trade secrets is likely to generate net cash inflows to Munchy's.

The said assessment is based on the track record of stability for the biscuit manufacturing industry and the Munchy's brand. Added to this is the commitment of management to continue to invest for the long term, to extend the period over which the intangible asset is expected to continue to provide economic benefits.

The carrying values of intangible assets are disclosed in Note 14 of the consolidated financial statements.

*k. Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's consolidated financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

## 4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, and interest-bearing loans and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. One of the Group's subsidiaries is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange exposures.

The BOD of the Parent Company and its subsidiaries review and approve policies for managing each of these risks and they are summarized below, together with the related risk management structure.

<u>Risk Management Structure</u>
The Group's risk management structure is closely aligned with that of the Ultimate Parent Company. The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring of risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

The BOD has created the board-level Board Risk and Oversight Committee (BROC) to spearhead the managing and monitoring of risks.

*BROC*
The purpose of the Board Risk Oversight Committee is to oversee the establishment of an Enterprise Risk Management (ERM) framework that will effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The Committee shall be responsible for defining the Group's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

*Corporate Governance Compliance Officer*
Compliance with the principles of good corporate governance is also one of the primary objectives of the BOD. To assist the BOD in achieving this purpose, the BOD has designated a Compliance Officer who shall be responsible for:

- Monitoring, reviewing, evaluating and ensuring the compliance by the Group, its Officers and Directors with the provisions and requirements of the Corporate Governance Manual and the relevant laws, the Code of Corporate Governance, rules, regulations and all governance issuances of regulatory agencies; and
- Assisting the Board and the Corporate Governance Committee in the performance of their governance functions, including their duties to oversee the formulation or review and implementation of the Corporate Governance structure and policies of the Group, and to assist in the conduct of self-assessment of the performance and effectiveness of the Board, the Board Committees and individual Board members in carrying out their functions as set out in the Corporate Governance Manual and the respective charters of the Board Committees.

*Enterprise Resource Management (ERM) Framework*
The ERM framework revolves around the following activities:

1. Risk Identification. This involves the identification of key business drivers that influence the operability and performance of the business units. Each business driver is assigned strategic and operational objectives that are owned by risk champions and risk owners. Each risk champion and owner conduct their risk identification process using different tools such as risk factor analysis, megatrends analysis, and systems dynamics analysis.
2. Risk Assessment. Each identified risk is assessed to determine if they pose significant impact to the business unit's ability to implement strategy and deliver business objectives. This process involves grouping similar risks into categories such as Reputational Risk, Strategic Risk, Financial Risk, Compliance Risk, Operations Risk, and Emerging Risk. For each risk category, a risk assessment scale provides an objective criterion to evaluate the impact to the business - insignificant, minor, moderate, major, or extreme impact. The impact severity of the risk is rated based on their nature, regardless of the organization's circumstances and capability to manage them.

3. Risk Prioritization. This process enables the organization to focus the implementation of risk responses into certain high and medium severity risks based on the organization's risk profile.
4. Risk Response, Monitoring, and Evaluation. Appropriate risk responses are put in place for each priority risk, both at the level of the risk champions and risk owners and at the enterprise and Group level. Risk champions continually monitor and evaluate the effectiveness of the risk responses. Material residual risks are assessed for improvement of risk response and identification of recovery measures.
5. Risk Reporting. At the Group level, top risks are reviewed, updated and reported to the Board Risk Oversight Committee twice a year.

Risk Management Policies

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risks such as foreign currency risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Credit Management Division (CMD) of the Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Generally, trade receivables are written off when deemed unrecoverable. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

a. Credit risk exposure

   With respect to credit risk arising from financial assets of the Group, which comprise cash and cash equivalents and receivables, the Group's maximum exposure to credit risk is equal to its carrying amount as of December 31, 2022 and 2021, except for the Group's trade receivables as of December 31, 2022 and 2021 with carrying value of ₱15.2 billion and ₱12.9 billion, respectively, and collateral with fair value amounting to ₱2.6 billion and ₱2.7 billion as of December 31, 2022 and 2021, respectively, resulting to net exposure of ₱12.6 billion and ₱10.2 billion, respectively.

   The collateral securities related to the Group's trade receivables consist of standby letters of credit. The Group holds no other collateral or guarantee that would reduce the maximum exposure to credit risk.

b. Risk concentrations of the maximum exposure to credit risk

   Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.
   Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed in accordance with the Group's policies and procedures.

i. Concentration by geographical location

The Group's credit risk exposures as of December 31, 2022 and 2021 before taking into account any collateral held or other credit enhancements are categorized by geographic location follow:

| | 2022 | | | |
|---|---|---|---|---|
| | Philippines | Asia | Others | Total |
| Cash and cash equivalents* (Note 7) | ₱5,418,032,169 | ₱7,784,642,538 | ₱– | ₱13,202,674,707 |
| Receivables (Note 9): | | | – | |
| Trade receivables | 11,379,724,485 | 3,805,971,525 | | 15,185,696,010 |
| Due from related parties | 1,821,450,615 | – | – | 1,821,450,615 |
| Interest receivable | 3,132,333 | 19,712,162 | – | 22,844,495 |
| Non-trade and other receivables | 4,901,302,462 | 24,341,323 | – | 4,925,643,785 |
| | ₱23,523,642,064 | ₱11,634,667,548 | ₱– | ₱35,158,309,612 |

** Excludes cash on hand*

| | 2021 | | | |
|---|---|---|---|---|
| | Philippines | Asia | Others | Total |
| Cash and cash equivalents* (Note 7) | ₱6,676,982,136 | ₱10,213,588,237 | ₱– | ₱16,890,570,373 |
| Receivables (Note 9): | | | – | |
| Trade receivables | 9,346,447,301 | 3,530,064,659 | 1,024,576 | 12,877,536,536 |
| Due from related parties | 783,827,454 | 61,663,764 | – | 845,491,218 |
| Interest receivable | 40,737,258 | 478,423 | – | 41,215,681 |
| Non-trade and other receivables | 2,898,126,207 | 104,056,690 | – | 3,002,182,897 |
| | ₱19,746,120,356 | ₱13,909,851,773 | ₱1,024,576 | ₱33,656,996,705 |

** Excludes cash on hand*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2022 and 2021 before taking into account any collateral held or other credit enhancements.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Manufacturing/ Retail | Financial Intermediaries | Petrochemicals | Tele-Communication | Others* | Total |
| Cash and cash equivalents** (Note 7) | ₱– | ₱13,202,674,707 | ₱– | ₱– | ₱– | ₱13,202,674,707 |
| Receivables (Note 9): | | | | | | |
| Trade receivables | 14,710,826,856 | – | – | – | 474,869,155 | 15,185,696,011 |
| Due from related parties | 217,801,094 | 38,835,562 | – | – | 1,564,813,959 | 1,821,450,615 |
| Interest receivable | – | 22,844,495 | – | – | | 22,844,495 |
| Non-trade and other receivables | 4,483,260,676 | 13,268,229 | 185,783,422 | 7,497,686 | 235,833,772 | 4,925,643,785 |
| | ₱19,411,888,626 | ₱13,277,622,993 | ₱185,783,422 | ₱7,497,686 | ₱2,275,516,886 | ₱35,158,309,613 |

**Includes real estate, agriculture, automotive, mining and electrical industries*
***Excludes cash on hand*

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Manufacturing/ Retail | Financial Intermediaries | Petrochemicals | Tele-Communication | Others* | Total |
| Cash and cash equivalents** (Note 7) | ₱– | ₱16,890,570,373 | ₱– | ₱– | ₱– | ₱16,890,570,373 |
| Receivables (Note 9): | | | | | | |
| Trade receivables | 12,520,301,799 | – | – | – | 357,234,737 | 12,877,536,536 |
| Due from related parties | 52,682,966 | 19,494,107 | – | – | 773,314,145 | 845,491,218 |
| Interest receivable | – | 41,215,681 | – | – | – | 41,215,681 |
| Non-trade and other receivables | 1,875,438,234 | 502,840,682 | 122,978,675 | – | 500,925,306 | 3,002,182,897 |
| | ₱14,448,422,999 | ₱17,454,120,843 | ₱122,978,675 | ₱– | ₱1,631,474,188 | ₱33,656,996,705 |

**Includes real estate, agriculture, automotive, mining and electrical industries*
***Excludes cash on hand*

iii. Credit risk under general approach and simplified approach

| | **2022** | | | |
|---|---|---|---|---|
| | **General Approach** | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified Approach** |
| Cash and cash equivalents* (Note 7) | **₱13,202,674,707** | **₱–** | **₱–** | **₱–** |
| Receivables (Note 9): | | | | |
| Trade receivables | – | – | – | **15,255,487,784** |
| Due from related parties | **1,821,450,615** | – | – | – |
| Interest receivable | **22,844,495** | – | – | – |
| Non-trade and other receivables | **4,212,035,430** | **713,608,355** | **157,169,779** | – |
| Total financial assets at amortized cost | **₱19,259,005,247** | **₱713,608,355** | **₱157,169,779** | **₱15,255,487,784** |

**Excludes cash on hand*

| | 2021 | | | |
|---|---|---|---|---|
| | General Approach | | | |
| | Stage 1 | Stage 2 | Stage 3 | Simplified Approach |
| Cash and cash equivalents* (Note 7) | ₱16,890,570,373 | ₱– | ₱– | ₱– |
| Receivables (Note 9): | | | | |
| Trade receivables | – | – | – | 13,045,714.957 |
| Due from related parties | 845,491,218 | – | – | – |
| Interest receivable | 41,215,681 | – | – | – |
| Non-trade and other receivables | 2,152,127,582 | 850,055,315 | 208,970,376 | – |
| Total financial assets at amortized cost | ₱19,929,404,854 | ₱850,055,315 | ₱208,970,376 | ₱13,045,714.957 |

**Excludes cash on hand*

iv. Aging analysis

Set out below is the information about the credit risk exposure on the Group's receivables:

| | **2022** | | | | | |
|---|---|---|---|---|---|---|
| | | **Past Due but Not Impaired** | | | | |
| | **Current** | **Less than 30 Days** | **30 to 60 Days** | **60 to 90 Days** | **Over 90 Days** | **Total** |
| Gross carrying amount of trade receivables | **₱11,605,224,165** | **₱2,923,346,044** | **₱105,863,673** | **₱146,920,922** | **₱474,132,980** | **₱15,255,487,784** |
| Expected credit losses | **₱–** | **₱–** | **₱–** | **₱–** | **₱69,791,773** | **₱69,791,773** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | Past Due but Not Impaired | | | | |
| | Current | Less than 30 Days | 30 to 60 Days | 60 to 90 Days | Over 90 Days | Total |
| Gross carrying amount of trade receivables | ₱10,284,293,935 | ₱2,137,568,404 | ₱72,232,646 | ₱198,433,105 | ₱353,186,867 | ₱13,045,714,957 |
| Expected credit losses | ₱– | ₱– | ₱– | ₱– | ₱168,171,421 | ₱168,171,421 |

*Liquidity risk*

Liquidity risk is the risk of not being able to meet funding obligation such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital and financial market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. It also maintains a portfolio of highly marketable and diverse financial assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

Maturity Profile of Financial Liabilities
The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2022 and 2021 based on the remaining undiscounted contractual cash flows.

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **1 to 3 Months** | **3 to 12 Months** | **1 to 5 Years** | **More than 5 years** | **Total** |
| Accounts payable and other accrued liabilities: | | | | | | |
| Trade payables, accrued expenses and other payables* | **₱9,526,364,834** | **₱14,652,549,424** | **₱710,771,205** | **₱25,880,412** | **₱59,581,745** | **₱24,975,147,620** |
| Due to related parties | **204,199,106** | – | – | – | – | **204,199,106** |
| Short-term debts** | – | **11,796,258,215** | – | – | – | **11,796,258,215** |
| Trust receipts payable** | – | **11,485,977,034** | – | – | – | **11,485,977,034** |
| Lease liabilities** | – | **134,902,584** | **288,468,536** | **1,152,560,695** | **1,809,101,854** | **3,385,033,669** |
| | **₱9,730,563,940** | **₱38,069,687,257** | **₱999,239,741** | **₱1,178,441,107** | **₱1,868,683,599** | **₱51,846,615,644** |

**Excludes statutory liabilities*
***Includes future interest*

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | 1 to 3 Months | 3 to 12 Months | 1 to 5 Years | More than 5 years | Total |
| Accounts payable and other accrued liabilities: | | | | | | |
| Trade payables, accrued expenses and other payables* | ₱8,244,996,271 | ₱13,044,725,714 | ₱823,401,841 | ₱– | ₱– | ₱22,113,123,826 |
| Due to related parties | 202,541,860 | – | – | – | – | 202,541,860 |
| Short-term debts** | – | 7,813,804,441 | – | – | – | 7,813,804,441 |
| Trust receipts payable** | – | 8,115,264,493 | – | – | – | 8,115,264,493 |
| Lease liabilities** | – | 98,591,593 | 374,716,523 | 1,441,900,057 | 2,110,381,626 | 4,025,589,799 |
| | ₱8,447,538,131 | ₱29,072,386,241 | ₱1,198,118,364 | ₱1,441,900,057 | ₱2,110,381,626 | ₱42,270,324,419 |

**Excludes statutory liabilities*
***Includes future interest*

*Market risk*
Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The three types of market risk are interest rate risk, foreign currency exchange risk and equity price risk.

*Foreign currency risk*
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. For the years ended December 31, 2022, 2021, and 2020, approximately 21.5%, 19.0%, and 18.8% of the Group's total sales, respectively, are denominated in currencies other than the functional currency. In addition, 2.6% and 3.0% of the Group's debts are denominated in various currencies as of December 31, 2022 and 2021, respectively.

The Group estimates a reasonably possible change of +5.00 in the US Dollar to Philippine Peso exchange rate would have an impact of approximately ₱3.1 million and ₱57.8 million on income before income tax, and equity for the years ended December 31, 2022 and 2021, respectively. An equal change in the opposite direction would have decreased income before income tax by the same amount.

The impact of the range of reasonably possible changes in the exchange rates of the other currencies against the Philippine Peso on the Group's income before income tax as of December 31, 2022 and 2021 are not significant.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱55.76 to US$1.00 and ₱51.00 to US$1.00 as of December 31, 2022 and 2021, respectively.

*Equity price risk*
Equity price risk is the risk that the fair values of equities will change as a result of changes in the levels of equity indices and the value of individual stocks.

The table below shows the effect on equity as a result of a change in the fair value of equity instruments held as financial assets at FVTPL investments due to reasonably possible changes in equity indices:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| Changes in PSEi | **20.55%** | **-20.55%** | 18.59% | -18.59% |
| Change in trading gain (loss) at equity portfolio | **₱54,017,188** | **(₱54,017,188)** | ₱64,004,462 | (₱64,004,462) |
| As a percentage of the Parent Company's trading gain for the year | **-130.34%** | **130.34%** | (136.23%) | 136.23% |

The Group's investment in golf shares designated as financial assets at FVOCI are susceptible to market price risk arising from uncertainties about future values of the investment security. The Group estimates an increase of 1.00% would have an impact of approximately ₱1.1 million and ₱0.8 million on equity for the years ended December 31, 2022 and 2021. An equal change in the opposite direction would have decreased equity by the same amount.

*Interest rate risk*
The Group's exposure to market risk for changes in interest rates relates primarily to the subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

As of December 31, 2022 and 2021, the Group has no interest rate risk exposure since there are no outstanding interest rate-sensitive assets and liabilities.

## 5. Fair Value Measurement

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

*Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debts and trust receipts payable*
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

*Amounts due from and due to related parties*
Carrying amounts of due from and due to related parties, which are payable and due on demand, approximate their fair values.

*Financial assets at FVTPL, derivatives and financial assets at FVOCI*
Fair values of quoted equity securities are based on quoted prices published in markets.

*Biological assets*
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on adjusted commercial farmgate prices. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

*Investment properties*
Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers in 2022, including independent external appraisers, on the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

Fair Value Measurement Hierarchy for Assets and Liabilities

| | **December 31, 2022** | | | | |
|---|---|---|---|---|---|
| | **Carrying Value** | **Level 1** | **Level 2** | **Level 3** | **Total Fair Value** |
| **Assets measured at fair value** | | | | | |
| **Financial assets** | | | | | |
| Financial assets at FVTPL (Note 8): | | | | | |
| Quoted equity securities | **₱834,807,019** | **₱834,807,019** | **₱–** | **₱–** | **₱834,807,019** |
| Financial assets at FVOCI | | | | | |
| Quoted equity securities (Note 16) | **105,450,000** | **–** | **105,450,000** | **–** | **105,450,000** |
| Deposits (Note 16) | **923,159,218** | **–** | **–** | **923,159,218** | **923,159,218** |
| | **₱1,863,416,237** | **₱834,807,019** | **₱105,450,000** | **₱923,159,218** | **₱1,863,416,237** |
| **Non-financial assets** | | | | | |
| Biological assets (Note 13) | **₱411,043,775** | **₱–** | **₱26,191,503** | **₱384,852,272** | **₱411,043,775** |
| **Assets for which fair values are disclosed** | | | | | |
| Investment properties (Note 16) | **₱1,958,173** | **₱–** | **₱–** | **₱47,823,000** | **₱47,823,000** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Assets measured at fair value | | | | | |
| Financial assets | | | | | |
| Financial assets at FVTPL (Note 8): | | | | | |
| Quoted equity securities | ₱513,705,225 | ₱513,705,225 | ₱– | ₱– | ₱513,705,225 |
| Financial assets at FVOCI | | | | | |
| Quoted equity securities (Note 16) | 157,703,381 | – | 157,703,381 | – | 157,703,381 |
| Deposits (Note 16) | 653,063,190 | – | – | 653,063,190 | 653,063,190 |
| | ₱1,324,471,796 | ₱513,705,225 | ₱157,703,381 | ₱653,063,190 | ₱1,324,471,796 |
| Non-financial assets | | | | | |
| Biological assets (Note 13) | ₱298,250,510 | ₱– | ₱16,364,135 | ₱281,886,375 | ₱298,250,510 |
| Assets for which fair values are disclosed | | | | | |
| Investment properties (Note 16) | ₱26,750,788 | ₱– | ₱– | ₱324,572,000 | ₱324,572,000 |

For the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include investment properties and biological assets. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.

Descriptions of significant unobservable inputs to valuation of biological assets, investment properties, and deposits under Level 3 of the fair value category follow:

| Account | Valuation Technique | Significant Unobservable Inputs |
|---|---|---|
| Biological assets | Adjusted commercial farmgate prices | Commercial farmgate prices |
| Investment properties | Market data approach and cost approach | Price per square meter, size, shape, location, time element, replacement cost and depreciation for improvements |
| Deposits | Discounted cash flow method | Credit spread |

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets.

*Significant unobservable inputs*

| | |
|---|---|
| Adjusted commercial farmgate prices | Fair value based on commercial farmgate prices, adjusted by considering the age, breed and genetic merit |
| Size | Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value. |
| Shape | Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property. |
| Location | Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road. |
| Time element | An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data. |
| Replacement cost | Estimated amount of money needed to replace in like kind and in new condition an asset or group of assets, taking into consideration current prices of materials, labor, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition and installation in place without provision for overtime or bonuses for labor, and premiums for materials. |

| | |
|---|---|
| Depreciation | Depreciation as evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character, and utility of the property which is to be continued in its present use as part of a going concern but without specific relations to earnings. |
| Credit spread | Determined by reference to internal data and used to arrive at a discount rate by adding to the risk-free rate |

## 6. Business Segment Information

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. The Group has three (3) reportable operating segments as follows:

- The branded consumer food products segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles and pasta. This segment also includes the packaging division, which manufactures BOPP films primarily used in packaging; and its subsidiary, which manufactures flexible packaging materials for the packaging requirements of various branded food products. Its revenues are in their peak during the opening of classes in June and Christmas season.
- The agro-industrial and commodity food products segment operates three divisions: (1) agro-industrial group (AIG) engages in hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products with peak season during summer and before Christmas season; (2) flour division engages in flour milling and pasta manufacturing with peak season before and during the Christmas season; and (3) sugar and renewable division (SURE) engages in sugar milling and refining, and renewable energy with peak season during its crop season, which normally starts in November and ends in April.
- The corporate business segment engages in bonds and securities investment and fund sourcing activities.

No operating segments have been aggregated to form the above reportable operating business segments.

Management monitors the operating results of business segments separately for the purpose of making decisions about resource allocation and performance assessment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance costs and revenues), market valuation gain and loss, foreign exchange gains or losses, other revenues and expenses and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present the financial information of each of the operating segments in accordance with PFRSs except for Earnings before interest, income taxes and depreciation/ amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the years ended December 31, 2022, 2021, and 2020.

The Group's business segment information follows (amounts in thousands):

| | As of and for the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Branded Consumer Food | Agro-Industrial and Commodity Food | Corporate Business | Eliminations | Total |
| **Sale of Goods and Services** | | | | | |
| Third party | ₱107,767,325 | ₱42,136,319 | ₱– | ₱– | ₱149,903,644 |
| Inter-segment | 24,696,963 | 11,851,292 | – | (36,548,255) | – |
| | ₱132,464,288 | ₱53,987,611 | ₱– | (₱36,548,255) | ₱149,903,644 |
| **Result** | | | | | |
| Earnings before interest, income taxes and depreciation/amortization (EBITDA) | ₱15,311,132 | ₱8,892,328 | (₱2,691,603) | ₱– | ₱21,511,857 |
| Depreciation and amortization (Note 24) | (4,196,537) | (1,762,844) | (328,872) | – | (6,288,253) |
| Earnings before interest and income tax (EBIT) | ₱11,114,595 | ₱7,129,484 | (₱3,020,475) | ₱– | ₱15,223,604 |
| Finance revenue (Note 26) | ₱199,948 | ₱982 | ₱94,088 | ₱– | 295,018 |
| Finance costs (Note 27) | (₱194,551) | (₱267,862) | (₱343,762) | ₱– | (806,175) |
| Equity in net loss of joint ventures (Note 15) | ₱1,350 | ₱– | (₱380,317)– | ₱– | (378,967) |
| Market valuation gain on financial assets and liabilities at FVTPL (Note 8) | ₱– | ₱– | ₱70,404 | ₱– | 70,404 |
| Provision for credit and impairment losses (Notes 9 and 12) | (₱33,845) | (₱293,193) | ₱– | ₱– | (327,038) |
| Other expenses* | | | | | 3,394,640 |
| Income before income tax | | | | | 17,471,486 |
| Provision for income tax (Note 29) | | | | | (3,000,198) |
| Net income | | | | | ₱14,471,288 |
| **Other Information** | | | | | |
| Total assets | ₱113,352,380 | ₱51,272,556 | ₱5,328,693 | ₱– | ₱169,953,629 |
| Total liabilities | ₱27,082,074 | ₱14,900,584 | ₱12,000,630 | ₱– | ₱53,983,288 |
| Capital expenditures | ₱5,389,404 | ₱3,489,206 | ₱256,302 | ₱– | ₱9,134,912 |
| Non-cash expenses other than depreciation and amortization: | | | | | |
| Impairment losses on: | | | | | |
| Receivables (Note 9) | (₱4,054) | ₱– | ₱– | ₱– | (₱4,054) |
| Property, plant and equipment (Note 12) | (29,791) | (293,193) | – | – | (322,984) |
| | (₱33,845) | (₱293,193) | ₱– | ₱– | (₱327,038) |

**Includes net foreign exchange losses and other revenues (expenses)*

| | As of and for the year ended December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Branded Consumer Food | Agro-Industrial and Commodity Food | Corporate Business | Eliminations | Total |
| **Sale of Goods and Services** | | | | | |
| Third party | ₱83,522,784 | ₱33,432,004 | ₱– | ₱– | ₱116,954,788 |
| Inter-segment | 17,959,755 | 9,149,538 | – | (27,109,293) | – |
| | ₱101,482,539 | ₱42,581,542 | ₱– | (₱27,109,293) | ₱116,954,788 |
| **Result** | | | | | |
| Earnings before interest, income taxes and depreciation/amortization (EBITDA) | ₱13,187,380 | ₱7,220,822 | (₱1,928,931) | ₱– | ₱18,479,271 |
| Depreciation and amortization (Note 24) | (3,789,211) | (1,704,790) | (268,875) | – | (5,762,876) |
| Earnings before interest and income tax (EBIT) | ₱9,398,169 | ₱5,516,032 | (₱2,197,806) | ₱– | ₱12,716,395 |
| Finance revenue (Note 26) | ₱197,998 | ₱1,808 | ₱55,566 | ₱– | 255,372 |
| Finance costs (Note 27) | (₱205,306) | (₱178,969) | (₱189,010) | ₱– | (573,285) |
| Equity in net loss of joint ventures (Note 15) | ₱– | ₱– | (₱91,078) | ₱– | (91,078) |
| Market valuation gain on financial assets and liabilities at FVTPL (Note 8) | ₱– | ₱– | ₱87,195 | ₱– | 87,195 |
| Provision for credit and impairment losses (Notes 9, 10 and 12) | (₱549,736) | (₱22,483) | ₱– | ₱– | (572,219) |
| Other revenue* | | | | | 2,721,599 |
| Income before income tax | | | | | 14,543,979 |
| Provision for income tax (Note 29) | | | | | (1,578,671) |
| Net income from continuing operations | | | | | ₱12,965,308 |
| Net income from discontinued operations | | | | | 11,280,572 |
| Net income | | | | | ₱24,245,880 |
| **Other Information** | | | | | |
| Total assets | ₱104,116,200 | ₱43,147,695 | ₱6,182,577 | ₱– | ₱153,446,472 |
| Total liabilities | ₱ 25,048,014 | ₱10,811,157 | ₱7,819,567 | ₱– | ₱43,678,738 |
| Capital expenditures | ₱7,776,376 | ₱4,997,180 | ₱426,136 | ₱– | ₱13,199,692 |
| Non-cash expenses other than depreciation and amortization: | | | | | |
| Impairment losses on: | | | | | |
| Receivables (Note 9) | (₱30,420) | ₱– | ₱– | ₱– | (₱30,420) |
| Inventories (Note 10) | (87,540) | (21,628) | – | – | (109,168) |
| Property, plant and equipment (Note 12) | (431,776) | (855) | – | – | (432,631) |
| | (₱549,736) | (₱22,483) | ₱– | ₱– | (₱572,219) |

**Includes net foreign exchange losses and other revenues (expenses)*

| | As of and for the year ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Branded Consumer Food | Agro-Industrial and Commodity Food | Corporate Business | Eliminations | Total |
| **Sale of Goods and Services** | | | | | |
| Third party | ₱83,587,980 | ₱29,573,805 | ₱– | ₱– | ₱113,161,785 |
| Inter-segment | 18,689,374 | 7,768,549 | – | (26,457,923) | – |
| | ₱102,277,354 | ₱37,342,354 | ₱– | (₱26,457,923) | ₱113,161,785 |
| **Result** | | | | | |
| Earnings before interest, income taxes and depreciation/amortization (EBITDA) | ₱14,506,931 | ₱7,358,159 | (₱1,811,446) | ₱– | ₱20,053,644 |
| Depreciation and amortization (Note 24) | (4,297,985) | (1,620,548) | (238,664) | – | (6,157,197) |
| Earnings before interest and income tax (EBIT) | ₱10,208,946 | ₱5,737,611 | (₱2,050,110) | ₱– | 13,896,447 |
| Finance revenue (Note 26) | ₱207,981 | ₱1,675 | ₱113,984 | ₱– | 323,640 |
| Finance costs (Note 27) | (₱242,533) | (₱308,401) | (₱110,795) | ₱– | (661,729) |
| Equity in net loss of joint ventures (Note 15) | (₱31,587) | ₱– | (₱30,387) | ₱– | (61,974) |
| Market valuation gain on financial assets and liabilities at FVTPL (Note 8) | ₱124,602 | ₱– | ₱11,637 | ₱– | 136,239 |
| Provision for credit and impairment losses (Note 9) | (₱32,583) | ₱– | ₱– | ₱– | (32,583) |
| Other expenses* | | | | | (1,122,705) |
| Income before income tax | | | | | 12,477,335 |
| Provision for income tax (Note 29) | | | | | (1,973,205) |
| Net income from continuing operations | | | | | ₱10,504,130 |
| Net income from discontinued operations (Note 30) | | | | | 1,120,473 |
| Net income | | | | | ₱11,624,603 |
| **Other Information** | | | | | |
| Total assets | ₱131,259,159 | ₱37,683,964 | ₱7,251,807 | ₱– | ₱176,194,930 |
| Total liabilities | ₱65,823,953 | ₱9,801,091 | ₱2,785,724 | ₱– | ₱78,410,768 |
| Capital expenditures** | ₱5,095,885 | ₱5,984,829 | ₱113,289 | ₱– | ₱11,194,003 |
| Non-cash expenses other than depreciation and amortization: | | | | | |
| Credit and impairment losses on receivables (Note 9) | (₱32,583) | ₱– | ₱– | ₱– | (₱32,583) |

**Includes net foreign exchange losses and other revenues (expenses)*
***Includes La Carlota and Roxol acquisition*

Inter-segment Revenues
Inter-segment revenues are eliminated at the consolidation level.

Segment Results
Segment results pertain to the net income (loss) of each of the operating segments excluding the amounts of market valuation gains and losses on financial assets at FVTPL, foreign exchange gains and losses and other revenues and expenses which are not allocated to operating segments.

Segment Assets
Segment assets are resources owned by each of the operating segments excluding significant inter-segment transactions.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding significant inter-segment transactions. The Group also reports to the chief operating decision maker the breakdown of the short-term and long-term debts of each of the operating segments.

Capital Expenditures
The components of capital expenditures reported to the chief operating decision maker are the additions to investment property and property plant and equipment during the period.

Geographic Information
The Group operates in the Philippines, Vietnam, Thailand, Myanmar, Indonesia, Malaysia, Singapore, China and Hong Kong. As of December 31, 2021, the Group has discontinued its operations in New Zealand and Australia.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| | | (In Thousands) | |
| Domestic | **₱117,606,850** | ₱94,784,394 | ₱91,931,417 |
| Foreign | **32,296,794** | 22,170,394 | 21,230,368 |
| | **₱149,903,644** | ₱116,954,788 | ₱113,161,785 |

The Group has no customer which contributes 10% or more of the consolidated revenues of the Group.

The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets, deferred tax assets and pension assets:

| | **2022** | 2021 |
|---|---|---|
| | (In Thousands) | |
| Domestic | **₱52,934,837** | ₱49,845,015 |
| Foreign | **36,308,646** | 34,871,770 |
| | **₱89,243,483** | ₱84,716,785 |

## 7. Cash and Cash Equivalents

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| Cash on hand | **₱48,543,950** | ₱67,113,948 |
| Cash in banks (Note 32) | **8,897,029,367** | 9,802,213,040 |
| Short-term investments (Note 32) | **4,305,645,340** | 7,088,357,333 |
| | **₱13,251,218,657** | ₱16,957,684,321 |

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group and earn interest ranging from 0.35% to 7.30%, 0.03% to 5.30%, and from 0.04% to 6.50% for foreign currency-denominated money market placements for the years ended December 31, 2022, 2021, and 2020, respectively. Peso-denominated money market placements, on the other hand, earn interest ranging from 3.40% to 4.60%, 0.50% to 0.74%, and from 0.12% to 0.60% for the years ended December 31, 2022, 2021, and 2020, respectively.

Interest earned on cash and cash equivalents amounted to ₱214.3 million, ₱240.1 million, and ₱278.1 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Notes 26 and 30).

## 8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments held-for-trading amounting to ₱834.8 million and ₱513.7 million as of December 31, 2022 and 2021, respectively. Investments held-for-trading consist of quoted equity securities issued by certain domestic and foreign entities.

Market valuation gain on financial assets at fair value though profit or loss amounted to ₱70.4 million, ₱87.2 million and ₱136.2 million for the years ended December 31, 2022, 2021, and 2020, respectively.

The Group received dividends from its quoted equity securities amounting to ₱80.8 million, ₱32.3 million and ₱64.6 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 26).

## 9. Receivables

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| Trade receivables (Note 32) | **₱15,255,487,783** | ₱13,045,714,957 |
| Non-trade receivables (Notes 5, 32 and 35) | **4,498,419,672** | 1,944,264,924 |
| Due from related parties (Note 32) | **1,821,450,615** | 845,491,218 |
| Interest receivable (Note 32) | **22,844,495** | 41,215,681 |
| Others | **584,393,892** | 1,266,888,349 |
| | **22,182,596,457** | 17,143,575,129 |
| Less: allowance for credit losses | **226,961,552** | 377,148,797 |
| | **₱21,955,634,905** | ₱16,766,426,332 |

Non-trade and other receivables are noninterest-bearing and are due and demandable. This includes receivable from an affiliate amounting to ₱2.4 billion as of December 31, 2022 (See Notes 16 and 32).

Others include claims for insurance amounting to ₱115.4 million and ₱523.9 million as of December 31, 2022 and 2021, respectively.

Allowance for Expected Credit Losses (ECLs) on Receivables
Changes in allowance for impairment losses on receivables follow:

| | **2022** | | | |
|---|---|---|---|---|
| | **Individual Assessment** | | **Collective Assessment** | |
| | **Trade Receivables** | **Other Receivables** | **Trade Receivables** | **Total** |
| Balances at beginning of the period | **₱149,037,894** | **₱208,970,376** | **₱19,140,527** | **₱377,148,797** |
| Provision for credit losses | **4,053,837** | **–** | **–** | **4,053,837** |
| Write-off/others | **(102,440,485)** | **(51,800,597)** | **–** | **(154,241,082)** |
| Balances at end of the period | **₱50,651,246** | **₱157,169,779** | **₱19,140,527** | **₱226,961,552** |

| | 2021 | | | |
|---|---|---|---|---|
| | Individual Assessment | | Collective Assessment | |
| | Trade Receivables | Other Receivables | Trade Receivables | Total |
| Balances at beginning of the period | ₱154,108,593 | ₱208,970,376 | ₱19,140,527 | ₱382,219,496 |
| Provision for credit losses | 30,419,962 | – | – | 30,419,962 |
| Write-off/others | (35,490,661) | – | – | (35,490,661) |
| Balances at end of the period | ₱149,037,894 | ₱208,970,376 | ₱19,140,527 | ₱377,148,797 |

Allowance for ECLs on other receivables includes credit losses on nontrade receivables, advances to officers and employees and other receivables. Allowance for ECLs on advances to officers and employees amounted to ₱19.6 million as of December 31, 2022 and 2021. Allowance for credit losses on nontrade and other receivables amounted to ₱137.5 million and ₱189.3 million as of December 31, 2022 and 2021, respectively.

## 10. Inventories

This account consists of inventories as follows:

| | **2022** | 2021 |
|---|---|---|
| At cost: | | |
| Goods in-process | **₱2,596,807,505** | ₱1,524,658,017 |
| Finished goods | **8,565,466,907** | 6,530,968,891 |
| | **11,162,274,412** | 8,055,626,908 |
| At NRV: | | |
| Raw materials | **19,641,664,542** | 12,882,786,195 |
| Spare parts and supplies | **4,652,204,726** | 5,589,122,551 |
| Containers and packaging materials | **2,608,518,160** | 1,919,452,209 |
| | **26,902,387,428** | 20,391,360,955 |
| | **₱38,064,661,840** | ₱28,446,987,863 |

The cost of raw materials, spare parts and supplies, and containers and packaging materials amounted to ₱27.2 billion and ₱20.8 billion as at December 31, 2022 and 2021, respectively.

Under the terms of the agreements covering interest-bearing liabilities under trust receipts totaling ₱11.5 billion and ₱8.1 billion as of December 31, 2022 and 2021, respectively, certain inventories which approximate the trust receipts payable have been released to the Group under trust receipt agreements with the banks. The Group is accountable to these banks for the trusteed merchandise. Interest expense from trust receipts payable amounted to ₱266.1 million, ₱176.3 million and ₱304.2 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 27).

Inventory obsolescence included in 'Cost of sales' amounted to ₱808.3 million, ₱798.9 million, and ₱782.3 million for the years ended December 31, 2022, 2021, and 2020, respectively.

The Group wrote down in full the cost of inventories amounting to nil and ₱109.2 million for the year ended December 31, 2022 and 2021, respectively.

## 11. Other Current Assets

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Advances to suppliers | **₱3,658,040,852** | ₱1,598,974,514 |
| Input value-added tax (VAT) | **1,591,655,015** | 1,602,847,744 |
| Prepaid taxes | **359,545,691** | 254,104,724 |
| Prepaid insurance | **94,617,315** | 160,231,482 |
| Prepaid rent | **74,284,606** | 51,417,673 |
| Other prepaid expenses | **64,925,242** | 850,278,436 |
| | **₱5,843,068,721** | ₱4,517,854,573 |

Advances to suppliers are generally applied to purchase of inventories and availment of services within the next financial year.

Prepaid rent pertains to short-term leases of the Group that are paid in advance. Prepaid rent, taxes, and insurance are normally utilized within the next financial year.

Others include prepayments of advertising, office supplies and income tax credits that can be applied in the following quarter against the corporate income tax due or can be claimed as tax refund (whichever as applicable).

## 12. Property, Plant and Equipment

The rollforward of this account follows:

| | As of and for the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Land | Land Improvements | Buildings and Improvements | Machinery and Equipment | Sub-total |
| **Cost** | | | | | |
| Balance at beginning of year (As Restated) | **₱6,861,222,506** | **₱2,321,603,730** | **₱19,718,971,502** | **₱80,475,325,824** | **₱109,377,123,562** |
| Additions | **1,102,498,947** | **92,263,812** | **940,275,928** | **3,380,048,599** | **5,515,087,286** |
| Additions from acquisition of subsidiaries (Note 14) | **237,190,722** | – | – | – | **237,190,722** |
| Disposals, reclassifications and other adjustments | **105,585,979** | **(45,837,040)** | **(202,336,288)** | **1,561,914,083** | **1,419,326,734** |
| Balance at end of year | **8,306,498,154** | **2,368,030,502** | **20,456,911,142** | **85,417,288,506** | **116,548,728,304** |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balance at beginning of year | – | **903,593,766** | **9,751,331,034** | **56,603,346,770** | **67,258,271,570** |
| Depreciation and amortization (Note 24) | – | **77,982,797** | **923,429,818** | **4,234,312,391** | **5,235,725,006** |
| Disposals, reclassifications and other adjustments | – | **(64,510,695)** | **(229,006,171)** | **(258,643,843)** | **(552,160,709)** |
| Balance at end of year | – | **917,065,868** | **10,445,754,681** | **60,579,015,318** | **71,941,835,867** |
| **Net Book Value** | **₱8,306,498,154** | **₱1,450,964,634** | **₱10,011,156,461** | **₱24,838,273,188** | **₱44,606,892,437** |

| | As of and for the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Transportation Equipment | Furniture, Fixtures and Equipment | Construction In-progress | Equipment In-transit | Total |
| **Cost** | | | | | |
| Balance at beginning of year (As Restated) | **₱3,196,798,731** | **₱5,801,194,125** | **₱7,648,126,607** | **₱5,136,687,997** | **₱131,159,931,022** |
| Additions | **137,317,274** | **246,583,976** | **2,421,653,105** | **814,270,377** | **9,134,912,018** |
| Additions from acquisition of subsidiaries (Note 14) | – | – | – | – | **237,190,722** |
| Disposals, reclassifications and other adjustments | **(45,606,050)** | **(99,886,626)** | **123,867,793** | **(1,935,003,883)** | **(537,302,032)** |
| Balance at end of the year | **3,288,509,955** | **5,947,891,475** | **10,193,647,505** | **4,015,954,491** | **139,994,731,730** |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balance at beginning of year | **2,619,590,654** | **4,899,025,588** | – | – | **74,776,887,812** |
| Depreciation and amortization (Note 24) | **154,290,180** | **352,504,768** | – | – | **5,742,519,954** |
| Disposals, reclassifications and other adjustments | **(88,807,095)** | **(1,079,664)** | – | – | **(642,047,468)** |
| Balance at end of year | **2,685,073,739** | **5,250,450,692** | – | – | **79,877,360,298** |
| **Net Book Value** | **₱603,436,216** | **₱697,440,783** | **₱10,193,647,505** | **₱4,015,954,491** | **₱60,117,371,432** |

| | As of and for the year ended December 31, 2021 (As Restated) | | | | |
|---|---|---|---|---|---|
| | **Land** | **Land Improvements** | **Buildings and Improvements** | **Machinery and Equipment** | **Sub-total** |
| **Cost** | | | | | |
| Balance at beginning of year | ₱5,447,922,338 | ₱2,400,409,527 | ₱20,733,572,114 | ₱82,836,608,411 | ₱111,418,512,390 |
| Additions | 2,728,248,821 | 122,019,277 | 2,281,550,438 | 6,240,374,432 | 11,372,192,968 |
| Additions from acquisition of subsidiaries (Note 14) | 258,276,754 | – | 920,267,076 | 3,013,517,374 | 4,192,061,204 |
| Divestment of business (Note 30) | (1,512,902,494) | (104,249,083) | (4,099,446,242) | (10,457,586,250) | (16,174,184,069) |
| Disposals, reclassifications and other adjustments | (60,322,913) | (96,575,991) | (116,971,884) | (1,157,588,143) | (1,431,458,931) |
| Balance at end of year | 6,861,222,506 | 2,321,603,730 | 19,718,971,502 | 80,475,325,824 | 109,377,123,562 |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balance at beginning of year | – | 892,863,171 | 10,326,034,563 | 58,257,627,619 | 69,476,525,353 |
| Depreciation and amortization (Note 24) | – | 79,719,042 | 1,127,571,956 | 4,313,316,748 | 5,520,607,746 |
| Additions from acquisition of subsidiaries (Note 14) | – | – | 154,184,417 | 1,545,514,228 | 1,699,698,645 |
| Divestment of business (Note 30) | – | (41,823,247) | (1,835,921,536) | (6,811,758,947) | (8,689,503,730) |
| Disposals, reclassifications and other adjustments | – | (27,165,200) | (20,538,366) | (701,352,878) | (749,056,444) |
| Balance at end of year | – | 903,593,766 | 9,751,331,034 | 56,603,346,770 | 67,258,271,570 |
| **Net Book Value** | ₱6,861,222,506 | ₱1,418,009,964 | ₱9,967,640,468 | ₱23,871,979,054 | ₱42,118,851,992 |

| | As of and for the year ended December 31, 2021 (As Restated) | | | | |
|---|---|---|---|---|---|
| | **Transportation Equipment** | **Furniture, Fixtures and Equipment** | **Construction In-progress** | **Equipment In-transit** | **Total** |
| **Cost** | | | | | |
| Balance at beginning of year | ₱2,883,773,873 | ₱5,999,183,439 | ₱10,708,482,533 | ₱4,915,650,424 | ₱135,925,602,659 |
| Additions | 368,947,697 | 446,414,898 | 710,257,950 | 301,878,587 | 13,199,692,100 |
| Additions from acquisition of subsidiaries (Note 14) | 39,884,960 | 129,606,040 | 8,978,069 | – | 4,370,530,273 |
| Divestment of business (Note 30) | (673,055) | (733,629,064) | (3,296,678,447) | – | (20,205,164,635) |
| Disposals, reclassifications and other adjustments | (95,134,744) | (40,381,188) | (482,913,498) | (80,841,014) | (2,130,729,375) |
| Balance at end of the year | 3,196,798,731 | 5,801,194,125 | 7,648,126,607 | 5,136,687,997 | 131,159,931,022 |
| **Accumulated Depreciation and Amortization** | | | | | |
| Balance at beginning of year | 2,482,612,560 | 4,976,851,703 | – | – | 76,935,989,616 |
| Depreciation and amortization (Note 24) | 161,680,481 | 466,426,459 | – | – | 6,148,714,686 |
| Additions from acquisition of subsidiaries (Note 14) | 30,570,565 | 91,656,426 | – | – | 1,821,925,636 |
| Divestment of business (Note 30) | (467,535) | (610,046,890) | – | – | (9,300,018,155) |
| Disposals, reclassifications and other adjustments | (54,805,417) | (25,862,110) | – | – | (829,723,971) |
| Balance at end of year | 2,619,590,654 | 4,899,025,588 | – | – | 74,776,887,812 |
| **Net Book Value** | ₱577,208,077 | ₱902,168,537 | ₱7,648,126,607 | ₱5,136,687,997 | ₱56,383,043,210 |

In May 2021, CFC Corporation executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its parcel of land costing ₱8.0 million at ₱3.1 billion selling price, net of ₱132.9 million unamortized discounts on long-term receivable (see Note 16). Gain on disposal attributable to sale amounted to ₱3.1 billion, which was recognized under 'Other income (losses) - net' in the consolidated statements of income.

In January 2021, the Parent Company executed a Memorandum of Agreement and Deed of Absolute Sale with a third party for the sale of its Tolong millsite with a selling price amounting to ₱1.2 billion. Gain on disposal attributable to sale amounted to ₱18.9 million, which was recognized under 'Other income (losses) - net' in the consolidated statements of income.

Borrowing Costs
For the years ended December 31, 2022, 2021, and 2020, no borrowing costs have been incurred related to property, plant and equipment under construction.

Depreciation
The breakdown of consolidated depreciation and amortization of property, plant and equipment follows:

| | **December 31, 2022** | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Cost of sales (Note 21) | **₱5,082,358,368** | ₱4,701,076,968 | ₱5,065,316,620 |
| Selling and distribution costs (Note 22) | **₱89,633,478** | 95,725,887 | 103,303,438 |
| General and administrative expenses (Note 23) | **₱570,528,108** | 526,676,490 | 471,759,428 |
| Discontinued operations (Note 30) | – | 825,235,341 | 825,381,361 |
| | **₱5,742,519,954** | ₱6,148,714,686 | ₱6,465,760,847 |

Impairment Losses
The Group recognized impairment losses on property, plant and equipment amounting to ₱323.0 million, ₱432.6 million and nil in 2022, 2021 and 2020, respectively. The assets written-off pertain to (a) property and equipment in non-operational plants, (b) idle and discontinued production line and (c) office space leasehold improvements and furniture and fixtures.

Collateral
As of December 31, 2022 and 2021, the Group has no property and equipment that are pledged as collateral.

13. **Biological Assets**

Total biological assets shown in the consolidated statements of financial position follow:

| | **2022** | 2021 |
|---|---|---|
| Current portion | **₱205,303,346** | ₱132,144,916 |
| Noncurrent portion | **205,740,429** | 166,105,594 |
| | **₱411,043,775** | ₱298,250,510 |

These biological assets consist of:

| | 2022 | 2021 |
|---|---|---|
| Swine livestock | | |
| Commercial | **₱180,766,167** | ₱62,326,102 |
| Breeder | **94,745,595** | 74,194,347 |
| Poultry livestock | | |
| Commercial | **24,537,179** | 69,818,814 |
| Breeder | **110,994,834** | 91,911,247 |
| | **₱411,043,775** | ₱298,250,510 |

The rollforward analysis of this account follows:

| | 2022 | 2021 |
|---|---|---|
| Balances at beginning of year | **₱298,250,510** | ₱234,251,397 |
| Additions | **744,579,361** | 549,756,538 |
| Disposals | **(632,097,589)** | (488,307,581) |
| Gain arising from changes in fair value less estimated costs to sell | **311,493** | 2,550,156 |
| Balances at end of year | **₱411,043,775** | ₱298,250,510 |

The Group has 28,067 and 11,469 heads of swine livestock and 653,657 and 944,600 heads of poultry livestock as of December 31, 2022 and 2021, respectively.

## 14. Goodwill and Intangible Assets

The movement of the goodwill is as follows:

| | 2022 | 2021 (As Restated) |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | **₱19,017,429,187** | ₱31,460,215,108 |
| Acquisition of subsidiaries | – | 17,922,962,151 |
| Disposals (Note 30) | – | (30,867,806,512) |
| Translation adjustment | **611,374,197** | 502,058,440 |
| Balance at end of year | **19,628,803,384** | 19,017,429,187 |
| **Accumulated Impairment Losses** | | |
| Balance at beginning and end of year | **265,719,291** | 265,719,291 |
| **Net Book Value** | **₱19,363,084,093** | ₱18,751,709,896 |

The composition of the Group's goodwill is as follows:

| | 2022 | 2021 |
|---|---|---|
| Acquisition of Munchy's Group in December 2021 | **₱18,574,838,869** | ₱17,963,464,672 |
| The excess of the acquisition cost over the fair values of the net assets acquired by UABCL in 2000 | **775,835,598** | 775,835,598 |
| Acquisition of Balayan Sugar Mill in February 2016 | **12,409,626** | 12,409,626 |
| | **₱19,363,084,093** | ₱18,751,709,896 |

Acquisition of Munchy's Group
On December 15, 2021, the Group acquired from Crunchy Limited 100% of the shares of Crunchy Foods Sdn. Bhd. (Crunchy Foods), a non-listed company based in Malaysia. Crunchy Foods fully owns Munchy Food Industries Sdn Bhd (MFI) and its subsidiary Munchworld Marketing Sdn Bhd (MWM) (collectively, the Munchy's Group). They operate under the trade name Munchy's, which is one of the major biscuit brands in Malaysia. The Group acquired Crunchy Foods to gain market leadership in Malaysia in the biscuit segment, which is consistent with the Group's overall purpose. The Munchy's Group is also expected to create synergies with URC Malaysia.

The purchase consideration was determined to be RM2.07 billion (₱24.6 billion), which was paid in cash by URC Malaysia to Crunchy Limited in exchange for 683,964,000 ordinary shares (100% of the equity) of Crunchy Foods.

In 2021, the accounting for the business combination in the Group's consolidated financial statements was determined provisionally as the Group has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the acquisition. In 2022, the group engaged the services of a third party valuer to conduct the final purchase price allocation.

The fair values of the identifiable assets and liabilities of Munchy's at the date of acquisition follow:

| | |
|---|---|
| Purchase consideration transferred | ₱24,586,990,326 |
| Fair value of identifiable assets | |
| Cash and cash equivalents | 1,733,890,581 |
| Receivables | 761,435,630 |
| Inventories | 519,197,768 |
| Property, plant and equipment (Note 12) | 2,351,368,164 |
| Right-of-use assets | 1,635,322 |
| Intangible assets | 4,037,528,232 |
| Other current assets | 94,893,546 |
| Total assets | 9,499,949,243 |
| Fair value of identifiable liabilities | |
| Accounts payable and other accrued liabilities | 1,204,873,861 |
| Deferred tax liabilities | 767,581,898 |
| Lease liability | 1,658,582 |
| Noncurrent liabilities | 400,250,807 |
| Total liabilities | 2,374,365,148 |
| Total fair value of identifiable net assets | 7,125,584,095 |
| Goodwill | ₱17,461,406,231 |

The goodwill of ₱17.5 billion comprise the value of expected synergies arising from the acquisition. Goodwill and the intangible assets are allocated entirely to the operations of the Munchy's brands. None of the goodwill is expected to be deductible for income tax purposes.

If the business combination had taken place on January 1, 2021, net sales and net income from the continuing operations of the Group would have been ₱121.9 billion and ₱13.3 billion, respectively.

The effects of the retrospective application of the accounting for business combination of Munchy's in the Group's consolidated statement of financial position as of December 31, 2021 follow:

| | 2021 | | |
|---|---|---|---|
| | As previously reported | Restatements | As restated |
| **ASSETS** | | | |
| **Non-current Assets** | | | |
| Property, plant and equipment | ₱55,881,358,761 | ₱501,684,449 | ₱56,383,043,210 |
| Goodwill | 21,271,723,229 | (2,520,013,333) | 18,751,709,896 |
| Intangible assets | 1,820,637,714 | 2,807,980,947 | 4,628,618,661 |
| | | | |
| **LIABILITIES** | | | |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | ₱1,242,693,511 | ₱789,652,063 | ₱2,032,345,574 |

The composition and movements of intangible assets follow:

| | **As of and for the year ended December 31, 2022** | | | | | |
|---|---|---|---|---|---|---|
| | **Trademarks/ Brands** | **Product Formulation** | **Software Costs** | **Customer Relationship** | **Trade Secrets** | **Total** |
| **Cost** | | | | | | |
| Balances at beginning of period | **₱3,086,710,140** | **₱425,000,000** | **₱–** | **₱–** | **₱1,318,433,102** | **₱4,830,143,242** |
| Additions | **650,719** | – | **151,221,059** | – | – | **151,871,778** |
| Translation adjustments | **96,442,646** | – | – | – | **44,871,966** | **141,314,612** |
| | **3,183,803,505** | **425,000,000** | **151,221,059** | – | **1,363,305,068** | **5,123,329,632** |
| **Accumulated Amortization and Impairment Losses** | | | | | | |
| Balances at beginning of period | **201,524,581** | – | – | – | – | **201,524,581** |
| Amortization during the period (Note 24) | **76,585** | – | **57,383,872** | – | – | **57,460,457** |
| Disposal/translation adjustments | **(49,289)** | – | **(418)** | – | – | **(49,707)** |
| | **201,551,877** | – | **57,383,454** | – | – | **258,935,331** |
| **Net Book Value at End of Year** | **₱2,982,251,628** | **₱425,000,000** | **₱93,837,605** | – | **₱1,363,305,068** | **₱4,864,394,301** |

| | As of and for the year ended December 31, 2021 (As Restated) | | | | | |
|---|---|---|---|---|---|---|
| | Trademarks/ Brands | Product Formulation | Software Costs | Customer Relationship | Trade Secrets | Total |
| **Cost** | | | | | | |
| Balances at beginning of period | ₱9,564,461,252 | ₱425,000,000 | ₱57,178,789 | ₱2,201,281,173 | ₱– | ₱12,247,921,214 |
| Additions | 10,959,942 | – | – | – | – | 10,959,942 |
| Additions from acquisition of subsidiaries | 2,755,986,153 | – | – | – | 1,281,542,079 | 4,037,528,232 |
| Disposal/translation adjustments | (9,244,697,207) | – | (57,178,789) | (2,201,281,173) | 36,891,023 | (11,466,266,146) |
| | 3,086,710,140 | 425,000,000 | – | – | 1,318,433,102 | 4,830,143,242 |
| **Accumulated Amortization and Impairment Losses** | | | | | | |
| Balances at beginning of period | 201,524,581 | – | 50,763,051 | 395,790,362 | – | 648,077,994 |
| Amortization during the period (Note 24) | – | – | 4,637,606 | 62,553,846 | – | 67,191,452 |
| Disposal/translation adjustments | – | – | (55,400,657) | (458,344,208) | – | (513,744,865) |
| | 201,524,581 | – | – | – | – | 201,524,581 |
| **Net Book Value at End of Year** | ₱2,885,185,559 | ₱425,000,000 | ₱– | ₱– | ₱1,318,433,102 | ₱4,628,618,661 |

Brands, trademarks and trade secrets were recognized as a result of acquisition of Munchys' Group in 2021. There were also trademarks and product formulation from the acquisition of General Milling Corporation in 2008.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2022 and 2021. In 2022 and 2021, the recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations.

Value in use calculations used cash flow projections from financial budgets approved by management covering a five-year period.

*Growth rate estimates* - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Terminal growth rates used in computing the projected future cash flows ranged from 4.20% to 5.00% and 3.90% to 6.10% as of December 31, 2022 and 2021, respectively.

*Discount rates* - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio. The pre-tax discount rates applied to cash flow projections range from 9.30% to 10.54% and 8.57% to 12.58% for the years ended December 31, 2022 and 2021, respectively.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group's acquisitions to materially exceed their recoverable amounts.

## 15. Investments in Joint Ventures

The rollforward analysis of this account follows:

| | **2022** | 2021 |
|---|---|---|
| **Acquisition Cost** | | |
| Balance at beginning of year | **₱1,028,262,362** | ₱1,203,555,432 |
| Additional investments | **461,000,000** | 100,000,000 |
| Reclassification to Investment in Subsidiary due to gain of control | – | (275,293,070) |
| Balance at end of year | **1,489,262,362** | 1,028,262,362 |
| **Accumulated Equity in Net Losses** | | |
| Balance at beginning of year | **(972,204,183)** | (812,041,712) |
| Equity in net losses from continuing operations | **(378,967,690)** | (91,077,671) |
| Reclassification to Investment in Subsidiary due to gain of control | – | (69,084,800) |
| Balance at end of year | **(1,351,171,873)** | (972,204,183) |
| **Cumulative Translation Adjustments** | **(30,353)** | (829,958) |
| **Net Book Value at End of Year** | **₱138,060,136** | ₱55,228,221 |

*Vitasoy-URC, Inc.*
On October 4, 2016, the Parent Company entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form Vitasoy - URC (VURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Vitasoy" brand name, which is under exclusive license to VURCI in the Philippines.

On May 19, 2022, the Parent Company made additional subscriptions to the unissued authorized capital stock of VURCI consisting of 46.1 million common shares for a total cost of ₱461.0 million, which includes, ₱80.9 million cash and receivables amounting to ₱380.1 million converted to equity.

*Danone Universal Robina Beverages, Inc.*
On May 23, 2014, the Parent Company entered into a joint venture agreement with Danone Asia Holdings Pte. Ltd., a corporation duly organized in the Republic of Singapore to form Danone Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines.

On April 19, 2021, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5.0 million common shares for a total cost of ₱100.0 million.

*Calbee-URC Malaysia*
On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savory snack products.

*Proper Snack Foods Ltd.*
On June 30, 2017, Griffin’s Food Limited (Griffin’s) purchased 50.1% of the shares in Proper Snack Foods Ltd. (PSFL) for approximately NZ$7.8 million (₱275.3 million), which includes deferred consideration amounting to NZ$1.5 million (₱51.5 million) recorded under ‘Accounts payable and other accrued liabilities’ in the consolidated statements of financial position.

In January 2021, the Shareholders’ Agreement was amended that resulted to Griffin’s gaining ultimate control of the Board with no change in equity interest, which is still at 50.1%. No consideration was paid for the transaction and PSFL net assets at the time of business combination amounted to US$4.6 million (₱226.0 million).

Goodwill and non-controlling interest arising from the business combination based on provisional values amounted to ₱461.6 million and ₱341.3 million, respectively. PSFL is derecognized as part of Oceania business sale in October 2021 (see Note 30).

As of December 31, 2022 and 2021, the Parent Company has the following percentage of ownership of shares in its joint ventures and its related equity in the net assets as summarized below:

| | Place of Business | Percentage of Ownership |
|---|---|---|
| VURCI | Philippines | 50.00 |
| DURBI | -do- | 50.00 |
| CURM | Malaysia | 50.00 |

Summarized financial information in respect of the Group’s joint ventures as of December 31, 2022 and 2021 are presented below (in thousands).

| | VURCI | | DURBI | | CURMI | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| Revenue | **₱288,035** | ₱226,043 | **₱400,743** | ₱354,269 | **₱436,018** | ₱391,634 |
| Costs and expenses | **304,788** | 588,380 | **427,786** | 524,521 | **28,980** | 24,680 |
| Net income (loss) | **(324,430)** | (362,337) | **(27,042)** | (170,252) | **565** | 17,244 |
| Current assets | **594,380** | ₱326,103 | **₱365,668** | ₱412,793 | **₱138,323** | ₱129,069 |
| Noncurrent assets | **569,971** | 654,572 | **6,029** | 8,695 | **29,403** | 33,202 |
| Current liabilities | **834,849** | 638,369 | **810,182** | 837,376 | **49,806** | 45,362 |
| Noncurrent liabilities | **16,105** | 777,708 | **14,394** | 5,510 | **–** | – |
| Equity | **₱313,397** | (₱435,402) | **(₱452,879)** | (₱421,398) | **₱117,920** | ₱116,908 |
| Group share in equity | **₱80,682** | ₱– | **₱–** | ₱– | **₱57,378** | ₱55,228 |
| Carrying amount of investment | **₱80,682** | ₱– | **₱–** | ₱– | **₱57,378** | ₱55,228 |

The summarized financial information presented above represents amounts shown in the joint ventures' financial statements prepared in accordance with PFRSs.

The joint venture companies are private companies and there are no quoted prices available for their shares.

No dividends were declared and received for the years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, there were no agreements entered into by the joint ventures that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from the Group. In addition, the Group has no share on commitments and contingencies of its joint ventures.

## 16. Other Noncurrent Assets

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Deposits | **₱923,159,218** | ₱653,063,190 |
| Input VAT | **473,049,635** | 717,122,717 |
| Financial assets at FVOCI | **105,450,000** | 157,703,381 |
| Investment properties | **1,958,173** | 26,750,788 |
| Others | **1,155,092,910** | 1,909,627,545 |
| | **₱2,658,709,936** | ₱3,464,267,621 |

Deposits

The Group's deposits pertain to the installation of power and water meters, returnable containers and security deposits for operating leases of plants, warehouses and office buildings. The security deposits are recoverable from the lessors at the end of the lease terms, which range from 2 to 30 years.

Input VAT

Input tax pertains to VAT from purchases and/or importations of various parts, supplies, equipment, machineries and or capital goods, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations.

Financial Assets at FVOCI

As of December 31, 2022 and 2021, financial assets at FVOCI consists of equity securities with the following movements:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱157,703,381** | ₱75,400,000 |
| Additions | – | 77,103,381 |
| Reclassification/disposal | **(77,103,381)** | (630,000) |
| Changes in fair value during the year (Note 20) | **24,850,000** | 5,830,000 |
| Balance at end of year | **₱105,450,000** | ₱157,703,381 |

Fair value changes of financial assets at FVOCI are presented as components of 'Other comprehensive income' in Equity (see Note 20).

Investment Properties
The rollforward analysis of investment properties follows:

| | **2022** | 2021 |
|---|---|---|
| **Cost** | | |
| Balance at beginning and end of year | **₱94,554,666** | ₱94,554,666 |
| Disposals | **(87,966,646)** | – |
| Balance at end of year | **6,588,020** | 94,554,666 |
| **Accumulated depreciation** | | |
| Balance at beginning of year | **67,803,878** | 64,592,518 |
| Disposals | **(66,385,391)** | – |
| Depreciation (Note 24) | **3,211,360** | 3,211,360 |
| Balance at end of year | **4,629,847** | 67,803,878 |
| **Net book value at end of year** | **₱1,958,173** | ₱26,750,788 |

Investment properties consist of buildings and building improvements which are leased out to related and third parties (see Notes 32 and 34).

In December 2022, the Parent Company executed a Deed of Absolute Sale with a related party for the sale of investment properties at ₱3.3 billion selling price. Gain on disposal attributable to sale amounted to ₱3.3 billion, which was recognized under ‘Other income (losses) - net’ in the consolidated statements of income.

Total rental income earned from investment properties included under ‘Other income (losses) - net’ in the consolidated statements of income amounted to ₱84.4 million, ₱81.4 million, and ₱69.0 million for years ended December 31, 2022, 2021, and 2020, respectively.

Direct operating expenses (included under ‘General and administrative expenses’ in the consolidated statements of income) arising from investment properties amounted to ₱0.9 and million and ₱0.8 million for the years ended December 31, 2022, 2021, and 2020.

As of December 31, 2022 and 2021, the Group has no investment properties that are pledged as collateral.

Others
Others include noncurrent receivable from an affiliate amounting to ₱823.2 million and ₱1.6 billion as of December 31, 2022 and 2021, respectively and noncurrent advances to suppliers and deferred charges. Annual payments will be received until 2024.

## 17. **Short-term Debts**

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Peso-denominated loan - unsecured with interest ranging from 5.10% to 5.70% and 2.00% for the years ended December 31, 2022 and 2021, respectively | **₱10,390,000,000** | ₱6,500,000,000 |
| Thai Baht-denominated loans - unsecured with interest ranging from 1.80% to 1.97% and from 1.30% to 1.62% for the years ended December 31, 2022 and 2021, respectively | **1,372,287,539** | 1,308,029,451 |
| | **₱11,762,287,539** | ₱7,808,029,451 |

Accrued interest payable on the Group's short-term debts (included under 'Accounts payable and other accrued liabilities' in the consolidated statements of financial position) amounted to ₱23.5 million and ₱9.6 million as of December 31, 2022 and 2021, respectively. Interest expense from the short-term debts amounted to ₱324.2 million, ₱156.8 million and ₱82.8 million for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 27).

## 18. **Accounts Payable and Other Accrued Liabilities**

This account consists of:

| | **2022** | 2021 |
|---|---|---|
| Trade payables (Note 32) | **₱15,097,599,464** | ₱15,290,751,756 |
| Accrued expenses | **7,911,839,895** | 5,787,267,776 |
| Customers' deposits | **1,613,432,305** | 803,599,260 |
| Advances from stockholders (Note 32) | **298,274,368** | 196,179,390 |
| Due to related parties (Note 32) | **204,199,106** | 202,541,860 |
| Withholding taxes payable | **174,378,171** | 200,653,033 |
| VAT payable | **125,115,362** | 45,230,445 |
| Others | **56,133,542** | 52,661,050 |
| | **₱25,480,972,213** | ₱22,578,884,570 |

Trade payables are noninterest-bearing and are normally settled on 30-60 day terms. Trade payables arise from purchases of inventories which include raw materials and indirect materials (*i.e.*, packaging materials) and supplies, for use in manufacturing and other operations.

The accrued expenses account consists of:

| | **2022** | 2021 |
|---|---|---|
| Advertising and promotions | **₱4,186,309,791** | ₱2,578,945,327 |
| Contracted services | **584,962,038** | 357,192,934 |
| Personnel costs | **457,908,472** | 327,561,717 |
| Freight and handling costs | **340,281,970** | 282,422,532 |
| Rent | **280,995,742** | 457,106,582 |
| Utilities | **261,685,875** | 288,787,556 |
| Professional and legal fees | **172,601,985** | 154,147,927 |

*(Forward)*

| | **2022** | 2021 |
|---|---|---|
| Interest | **₱42,270,323** | ₱16,543,095 |
| Others | **1,584,823,699** | 1,324,560,106 |
| | **₱7,911,839,895** | ₱5,787,267,776 |

Customers' deposits represent downpayments for the sale of goods or performance of services which will be applied against accounts receivables upon delivery of goods or rendering of services.

Accrued professional and legal fees include fees or services rendered by third party consultants for the review of the Group's brand portfolio and supply chain optimization initiatives. The related expense recognized under 'Other income (losses) – net' in the 2022, 2021 and 2020 consolidated statements of income amounted to ₱43.2 million, ₱257.6 million and nil, respectively.

Others include accruals for taxes and licenses, commission, royalties, restructuring provision and other benefits.

## 19. **Equity**

The details of the Parent Company's common stock as of December 31 follow:

| | **2022** | 2021 |
|---|---|---|
| Authorized shares | **2,998,000,000** | 2,998,000,000 |
| Par value per share | **₱1.00** | ₱1.00 |
| Issued shares: | | |
| Balance at beginning and end of year | **2,230,160,190** | 2,230,160,190 |
| Outstanding shares | **2,178,507,618** | 2,200,983,378 |

The paid-up capital of the Parent Company consists of the following as of December 31, 2022 and 2021:

| | |
|---|---|
| Common stock | ₱2,230,160,190 |
| Additional paid-in capital | 21,191,974,542 |
| Total paid-up capital | ₱23,422,134,732 |

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a financial debt-to-equity ratio which is total financial debt divided by total equity. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity.

Following is a computation of the Group's financial debt-to-equity ratio:

| | | 2022 | 2021 |
|---|---|---|---|
| (a) | Short-term debts (Note 17) | **₱11,762,287,539** | ₱7,808,029,451 |
| | Trust receipts payable (Note 10) | **11,457,712,536** | 8,106,662,079 |
| | | **₱23,220,000,075** | ₱15,914,691,530 |
| (b) | Equity | **₱115,970,341,095** | ₱109,767,733,832 |
| (c) | Financial debt-to-equity ratio (a/b) | **0.20:1** | 0.14:1 |

The Group's policy is to not exceed a financial debt-to-equity ratio of 2:1. The Group considers its total equity as capital.

Cumulative Redeemable Preferred Shares
The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of December 31, 2022 and 2021.

Retained Earnings
*Accumulated equity in net earnings of the subsidiaries*
A portion of the Group's retained earnings corresponding to the undistributed net earnings of the subsidiaries and joint ventures amounting to ₱80.6 billion and ₱78.2 billion as of December 31, 2022 and 2021, respectively, is not available for dividend declaration. This becomes available for dividend declaration upon dividend distribution by the investees.

*Dividends*
Details of the Group's dividend declarations follow:

Parent Company

| Year | Date of declaration | Dividend per share | Total dividends | Date of record | Date of payment |
|---|---|---|---|---|---|
| **2022** | **March 4, 2022** | **₱1.50** | **₱3.3 billion** | **April 03, 2022** | **April 29, 2022** |
| **2022** | **March 4, 2022** | **₱1.95** | **₱4.3 billion** | **April 03, 2022** | **April 29, 2022** |
| 2021 | April 29, 2021 | ₱1.50 | ₱3.3 billion | May 20, 2021 | June 15, 2021 |
| 2021 | July 30, 2021 | ₱1.80 | ₱4.0 billion | August 19, 2021 | September 15, 2021 |
| 2020 | March 10, 2020 | ₱1.50 | ₱3.3 billion | March 24, 2020 | April 21, 2020 |
| 2020 | March 10, 2020 | ₱1.65 | ₱3.6 billion | June 1, 2020 | June 26, 2020 |

NURC

| Year | Date of declaration | Dividend per share | Total dividends | Date of record | Date of payment |
|---|---|---|---|---|---|
| **2022** | **June 21, 2022** | **₱3.19** | **₱603.0 million** | **December 31, 2021** | **September 30, 2022** |
| 2021 | June 10, 2021 | ₱4.68 | ₱885.0 million | June 10, 2021 | December 31, 2021 |
| 2020 | June 09, 2020 | ₱3.70 | ₱700.0 million | December 31, 2019 | September 30, 2020 |

The Group intends to maintain an annual cash dividend payment ratio of 50.0% of the Group's consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. The BOD may, at any time, modify such dividend payment ratio.

Treasury Shares

The Parent Company has outstanding treasury shares of 51.7 million shares (₱3.7 billion) and 29.2 million shares (₱1.1 billion) as of December 31, 2022 and 2021, respectively, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Equity Reserve

In August 2012, the Parent Company acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represented the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group charged equity reserve from the acquisition amounting to about ₱5.6 billion presented under 'Equity reserve' in the consolidated statements of financial position.

In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte. Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under 'Equity reserve' in the consolidated statements of financial position.

In December 2019, Intersnack bought 40% of the Group's equity interest in the Oceania businesses for a total consideration of ₱7.7 billion. As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred to NCI amounting to ₱2.4 billion was presented under 'Equity reserve' in the consolidated statements of financial position.

In October 2021, the Group sold its remaining 60.0% equity interest in Oceania businesses to Intersnack (see Note 30). As a result, the Group derecognized the assets and liabilities related to its Oceania businesses. The Group is of the view that the Equity Reserve can be reclassified to Retained Earnings to present more useful information about its equity. The Group evaluated the nature of the Equity Reserve, and if there are specific requirements on its derecognition. Management also considered nature of equity and the applicability of the requirements of PFRSs and definitions, recognition criteria and measurement concepts in the Framework.

On February 8, 2022, the Group requested for the Philippine SEC's opinion on the reclassification and subsequent treatment of the Equity Reserve. On February 22, 2022, the SEC confirmed that the reclassification of the Equity Reserve to Retained Earnings, does not counter any principles in PFRSs, and would allow for more understandable financial information for users. Accordingly, the Group reclassified Equity Reserve amounting to ₱2.4 billion to Retained Earnings.

In February 2022, URC Foods (Singapore) Pte. Ltd. acquired 23,805 common shares of PPICL from Hong Kong Peggy Foods Company Limited for ₱214.9 million. The acquisition of shares represented 100.00% interest in PPICL. The Group charged equity reserve from the acquisition amounting to about ₱13.2 million presented under 'Equity reserve' in the consolidated statements of financial position.

Non-controlling Interest

The equity interest held by non-controlling interest in NURC, a subsidiary with material non-controlling interest, is 49.0% as of December 31, 2022 and 2021.

The summarized financial information (before inter-company eliminations) of NURC, a subsidiary with material non-controlling interest follows (in thousands):

| | **2022** | 2021 |
|---|---|---|
| Current assets | **₱3,087,614** | ₱2,091,856 |
| Noncurrent assets | **1,484,820** | 1,464,487 |
| Current liabilities | **2,821,929** | 2,393,108 |
| Noncurrent liabilities | **129,530** | 16,138 |
| Revenue | **9,891,350** | 7,967,975 |
| Costs and expenses | **8,488,123** | 6,685,361 |
| Net income | **1,070,666** | 959,753 |

The accumulated non-controlling interest of material non-controlling interest as of December 2022 and 2021 amounted to ₱781.8 million and ₱552.7 million, respectively.

The profit allocated to non-controlling interest for the years ended December 31, 2022, 2021, and 2020, amounted to ₱515.1 million, ₱922.2 million, and ₱877.9 million, respectively.

Record of Registration of Securities with SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Registration Code:

| Date of offering | Type of offering | No. of shares offered | Par value | Offer price | Authorized number of shares | Issued and outstanding shares |
|---|---|---|---|---|---|---|
| February 17, 1994 | Registration of authorized capital stock | – | ₱1.00 | ₱– | 1,998,000,000 common shares<br>2,000,000 preferred shares | – |
| February 23, 1994 | Initial public offering | | | | | |
| | Subscribed and fully paid common shares | 929,890,908 | 1.00 | 1.00 | – | 929,890,908 |
| | New common shares | 309,963,636 | 1.00 | 21.06 | – | 309,963,636 |
| July 21, 1995 | 20.00% stock dividend | 247,970,907 | – | – | – | 247,970,907 |
| October 15, 2001 | 10.00% stock dividend | 148,782,542 | – | – | – | 148,782,542 |
| June 20, 2003 | Property-for-share swap [the Parent Company shares in exchange for property of Robinsons Supermarket Corporation (RSC)] | 49,871,556 | – | – | – | 49,871,556 |
| December 16, 2005 | Increase in authorized capital stock (payment by way of 15.00% stock dividend) | – | – | – | 1,000,000,000 common shares | 252,971,932 |

*(Forward)*

| Date of offering | Type of offering | No. of shares offered | Par value | Offer price | Authorized number of shares | Issued and outstanding shares |
|---|---|---|---|---|---|---|
| February 7, 2006 | New share offering for common shares: | | | | | |
| | a. Primary shares | 282,400,000 | ₱1.00 | ₱17.00 | – | 282,400,000 |
| | b. Secondary shares | 352,382,600 | | | | |
| | c. Over-allotment shares | 95,217,400 | | | | |
| November 14, 2007 to October 20, 2008 | Acquisition of Parent Company's shares under the share buy-back program | – | – | – | – | (75,104,200) |
| April 21, 2009 | Issuance of shares to JGSHI | – | – | – | – | 5,787,452 |
| December 8, 2009 to January 27, 2011 | Acquisition of Parent Company's shares under the share buy-back Program | – | – | – | – | (91,032,800) |
| June 14, 2012 | Sale of treasury shares | – | – | – | – | 120,000,000 |
| September 30, 2016 | Sale of treasury shares | – | – | – | – | 22,659,935 |
| April 24, 2018 | Issuance of shares to stockholders | – | – | – | – | 2,521,257 |
| April 24, 2018 | Re-purchase of shares issued to stockholders | – | – | – | – | (2,521,257) |
| November 8, 2021 to December 13, 2021 | Acquisition of Parent Company's shares under the share buy-back program | – | – | – | – | (3,178,490) |
| January 17, 2022 to August 22, 2022 | Acquisition of Parent Company's shares under the share buy-back program | – | – | – | – | (22,475,760) |
| | | | | | | 2,178,507,618 |

The table below provides information regarding the number of stockholders of the Parent Company:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Common shares | **996** | 1,002 | 1,002 |

## 20. **Components of Other Comprehensive Income**

The breakdown and movement of other comprehensive income attributable to equity holders of the Parent Company follow:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| *Items to be reclassified to profit or loss in subsequent periods, net of tax*: | | | |
| Cumulative translation adjustments* | **₱5,290,601,426** | ₱3,417,686,647 | ₱2,344,845,823 |
| Net unrealized loss on cash flow hedges: | | | |
| Balance at beginning of year | – | (19,127,379) | – |
| Change in fair value during the year | – | 19,127,379 | (19,127,379) |
| Balance at end of year | – | – | (19,127,379) |
| | **5,290,601,426** | 3,417,686,647 | 2,325,718,444 |
| *Item not to be reclassified to profit or loss in subsequent periods*: | | | |
| Net unrealized gain on financial assets at FVOCI | | | |
| Balance at beginning of year | **59,510,000** | 53,680,000 | 54,570,000 |
| Change in fair value during the year (Note 16) | **24,850,000** | 5,830,000 | (890,000) |
| Balance at end of year | **84,360,000** | 59,510,000 | 53,680,000 |
| Remeasurement losses on defined benefit plans, gross of tax: | | | |
| Balance at beginning of year | **(281,022,230)** | (921,973,756) | (719,833,392) |
| Remeasurement gain (loss) on defined benefit plans during the year (Note 28) | **226,033,080** | 640,951,526 | (202,140,364) |
| Balance at end of year | **(54,989,150)** | (281,022,230) | (921,973,756) |
| Income tax effect | **13,746,573** | 70,254,843 | 276,592,127 |
| Balance at end of year | **(41,242,577)** | (210,767,387) | (645,381,629) |
| | **43,117,423** | (151,257,387) | (591,701,629) |
| | **₱5,333,718,849** | ₱3,266,429,260 | ₱1,734,016,815 |

**All movements in cumulative translation adjustments arise from translation of foreign operations. No foreign operations were disposed of in 2022.*

The breakdown and movement of other comprehensive income attributable to non-controlling interests follow:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| *Items to be reclassified to profit or loss in subsequent periods, net of tax*: | | | |
| Cumulative translation adjustments | **₱56,177,875** | ₱221,631,397 | (₱232,786,766) |
| Net unrealized loss on cash flow hedges: | | | |
| Balance at beginning of year | – | (12,751,586) | – |
| Change in fair value during the year | – | 12,751,586 | (12,751,586) |
| Balance at end of year | – | – | (12,751,586) |
| | **56,177,875** | 221,631,397 | (245,538,352) |

*(Forward)*

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| *Item not to be reclassified to profit or loss in subsequent periods*: | | | |
| Remeasurement losses on defined benefit plans, gross of tax: | | | |
| Balance at beginning of year | **(₱8,211,070)** | (₱11,850,827) | (₱10,142,916) |
| Remeasurement loss (gain) on defined benefit plans during the year (Note 28) | **4,058,790** | 3,639,757 | (1,707,911) |
| Balance at end of year | **(4,152,280)** | (8,211,070) | (11,850,827) |
| Income tax effect | **1,245,684** | 2,463,321 | 3,555,248 |
| | **(2,906,596)** | (5,747,749) | (8,295,579) |
| | **₱53,271,279** | ₱215,883,648 | (₱253,833,931) |

## 21. Sale of Goods and Services/Cost of Sales

Sale of goods and services include revenue from tolling services amounting to ₱2.9 billion, ₱1.8 billion, and ₱1.4 billion for the years ended December 31, 2022, 2021, and 2020, respectively.

Cost of sales account consists of:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Raw materials used | **₱84,065,603,708** | ₱56,052,221,111 | ₱54,156,527,868 |
| Direct labor | **5,620,993,801** | 4,893,555,266 | 4,469,234,231 |
| Overhead costs | **24,106,514,070** | 21,190,780,475 | 19,295,208,563 |
| Total manufacturing costs | **113,793,111,579** | 82,136,556,852 | 77,920,970,662 |
| Goods in-process | **(1,072,149,488)** | 58,176,006 | 98,286,584 |
| Cost of goods manufactured | **112,720,962,091** | 82,194,732,858 | 78,019,257,246 |
| Finished goods | **(2,034,498,016)** | 1,294,920,299 | 554,181,172 |
| | **₱110,686,464,075** | ₱83,489,653,157 | ₱78,573,438,418 |

Raw materials used include the Group's usage of both raw materials and containers and packaging materials inventory.

Overhead costs are broken down as follows:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Utilities | **₱9,408,867,224** | ₱8,008,784,020 | ₱5,960,843,758 |
| Depreciation and amortization (Note 24) | **5,321,911,921** | 4,906,407,621 | 5,320,748,870 |
| Repairs and maintenance | **3,363,144,332** | 3,158,280,693 | 2,846,461,942 |
| Personnel expenses (Note 25) | **2,994,780,805** | 2,749,398,308 | 2,539,614,819 |
| Security and other contracted services | **730,333,437** | 774,033,037 | 709,639,323 |
| Rental expense (Note 34) | **146,003,048** | 110,406,717 | 101,293,575 |
| Insurance | **126,706,180** | 131,450,588 | 140,776,854 |
| Research and development | **49,459,163** | 90,452,181 | 87,019,320 |
| Handling and delivery charges | **59,033,194** | 45,708,852 | 44,386,508 |
| Others | **1,906,274,766** | 1,215,858,458 | 1,544,423,594 |
| | **₱24,106,514,070** | ₱21,190,780,475 | ₱19,295,208,563 |

Others include excise taxes amounting to ₱1.5 billion, ₱1.1 billion, and ₱1.0 billion for the years ended December 31, 2022, 2021, and 2020, respectively.

## 22. Selling and Distribution Costs

This account consists of:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Freight and other selling expenses | **₱8,802,249,988** | ₱6,676,963,507 | ₱6,642,136,128 |
| Advertising and promotions | **7,136,990,134** | 7,027,100,301 | 7,269,713,153 |
| Personnel expenses (Note 25) | **2,019,942,114** | 1,779,396,237 | 1,651,462,445 |
| Depreciation and amortization (Note 24) | **238,669,977** | 227,587,008 | 262,173,793 |
| Repairs and maintenance | **157,235,466** | 131,120,649 | 119,823,871 |
| Others | **253,732,592** | 240,447,457 | 214,671,483 |
| | **₱18,608,820,271** | ₱16,082,615,159 | ₱16,159,980,873 |

Others include research and development, communication, travel and transportation, rent and concessionaire's fee.

## 23. General and Administrative Expenses

This account consists of:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Personnel expenses (Note 25) | **₱2,702,824,066** | ₱2,238,063,374 | ₱2,310,628,521 |
| Depreciation and amortization (Note 24) | **727,670,802** | 628,881,017 | 574,272,972 |
| Repairs and maintenance | **533,053,484** | 533,162,399 | 416,371,338 |
| Security and contractual services | **338,977,721** | 337,130,022 | 331,670,989 |
| Taxes, licenses and fees | **200,951,003** | 220,362,252 | 177,488,870 |
| Professional and legal fees | **151,973,328** | 148,528,802 | 187,460,210 |
| Travel and transportation | **125,059,380** | 68,231,263 | 72,033,734 |
| Communication | **92,320,278** | 76,294,217 | 73,096,312 |
| Rental expense (Note 34) | **87,901,734** | 67,320,560 | 72,256,351 |
| Utilities | **34,110,266** | 32,360,452 | 40,222,472 |
| Stationery and office supplies | **21,576,731** | 20,107,363 | 18,476,492 |
| Donations and contributions | **9,695,587** | 6,834,074 | 4,441,594 |
| Others | **358,640,755** | 288,849,314 | 253,499,162 |
| | **₱5,384,755,135** | ₱4,666,125,109 | ₱4,531,919,017 |

Others include insurance, memberships, bank charges, and representation and entertainment related to general and administrative functions.

## 24. Depreciation and Amortization

The breakdown of consolidated depreciation and amortization follows:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Cost of sales (Notes 12, 21 and 34) | **₱5,321,911,921** | ₱4,906,407,621 | ₱5,320,748,870 |
| Selling and distribution costs (Notes 12, 22 and 34) | **238,669,977** | 227,587,008 | 262,173,793 |
| General and administrative expenses (Notes 12, 16, 23 and 34) | **727,670,802** | 628,881,017 | 574,272,972 |
| Discontinued operations (Notes 12, 14, 30 and 34) | **–** | 1,201,671,101 | 1,207,760,482 |
| | **₱6,288,252,700** | ₱6,964,546,747 | ₱7,364,956,117 |

## 25. **Personnel Expenses**

This account consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Salaries and wages | **₱5,531,771,986** | ₱4,630,470,962 | ₱4,416,597,544 |
| Other employee benefits | **1,944,039,435** | 1,822,742,002 | 1,863,633,182 |
| Pension expense (Note 28) | **241,735,564** | 313,644,955 | 221,475,059 |
| | **₱7,717,546,985** | ₱6,766,857,919 | ₱6,501,705,785 |

The breakdown of personnel expenses follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Cost of sales (Note 21) | **₱2,994,780,805** | ₱2,749,398,308 | ₱2,539,614,819 |
| Selling and distribution costs (Note 22) | **2,019,942,114** | 1,779,396,237 | 1,651,462,445 |
| General and administrative expenses (Note 23) | **2,702,824,066** | 2,238,063,374 | 2,310,628,521 |
| | **₱7,717,546,985** | ₱6,766,857,919 | ₱6,501,705,785 |

## 26. **Finance Revenue**

This account consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Bank interest income (Note 7) | **₱214,261,093** | ₱223,069,240 | ₱259,035,030 |
| Dividend income (Note 8) | **80,757,174** | 32,302,870 | 64,605,739 |
| | **₱295,018,267** | ₱255,372,110 | ₱323,640,769 |

## 27. **Finance Costs**

This account consists of finance costs arising from:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Short-term debts (Note 17) | **₱324,236,395** | ₱156,785,297 | ₱82,791,315 |
| Trust receipts (Note 10) | **266,115,272** | 176,269,762 | 304,240,663 |
| Interest expense on lease liabilities (Note 34) | **189,697,980** | 203,442,993 | 216,814,477 |
| Net interest on net pension liability (Note 28) | **25,086,626** | 36,755,458 | 42,023,710 |
| Others | **1,038,792** | 31,289 | 15,858,812 |
| | **₱806,175,065** | ₱573,284,799 | ₱661,728,977 |

Others pertain to other financing charges. This includes unamortized debt issue costs recognized as expense on pretermination of NZD loan, amortization of asset retirement obligation for the year ended December 31, 2020.

## 28. **Pension Costs**

The Group has a funded, noncontributory defined benefit retirement plan covering all its employees. The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan, with Robinsons Bank Corporation (RBC) as Trustee. The plan provides for retirement, separation, disability and death benefits to its members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of its contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Ultimate Parent Company are represented in the Executive Retirement Committee. RBC manages the funds based on the mandate as defined in the trust agreement.

Under the existing regulatory framework, Republic Act (RA) 7641, *the Philippine Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan. The Parent Company and all of its subsidiaries meet the minimum retirement benefit under RA 7641.

As of December 31, 2022 and 2021, the Group recognized net pension liability amounting to ₱419.7 million and ₱383.2 million, respectively, included under 'Other noncurrent liabilities' in the consolidated statements of financial position.

Changes in net defined benefit liability of funded funds and fair value of plan assets of the Group are as follows:

**2022**

| | | Net benefit cost in consolidated statements of income | | | | Remeasurements in other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **January 1, 2022** | **Current service cost (Note 25)** | **Finance cost (Note 27)** | **Subtotal** | **Benefits paid** | **Return on plan assets (excluding amount included in net interest cost)** | **Actuarial changes arising from changes in experience adjustments** | **Actuarial changes arising from demographic assumptions** | **Actuarial changes arising from changes in financial assumptions** | **Subtotal** | **Contributions** | **December 31, 2022** |
| **Present value of defined benefit obligation** | **₱2,761,648,244** | **₱241,735,564** | **₱140,560,972** | **₱382,296,536** | **(₱219,741,409)** | **₱–** | **(₱99,942,442)** | **(₱13,406,415)** | **(₱166,684,014)** | **(₱280,032,871)** | **₱–** | **₱2,644,170,500** |
| **Fair value of plan assets** | **(2,378,441,455)** | **–** | **(115,474,346)** | **(115,474,346)** | **219,741,409** | **49,941,001** | **–** | **–** | **–** | **49,941,001** | **(200,415)** | **(2,224,433,806)** |
| | **₱383,206,789** | **₱241,735,564** | **₱25,086,626** | **₱266,822,190** | **₱–** | **₱49,941,001** | **(₱99,942,442)** | **(₱13,406,415)** | **(₱166,684,014)** | **(₱230,091,870)** | **(₱200,415)** | **₱419,736,694** |

2021

| | | Net benefit cost in consolidated statements of income | | | | Remeasurements in other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | January 1, 2021 | Current service cost (Note 25) | Finance cost (Note 27) | Subtotal | Benefits paid | Return on plan assets (excluding amount included in net interest cost) | Actuarial changes arising from changes in experience adjustments | Actuarial changes arising from demographic assumptions | Actuarial changes arising from changes in financial assumptions | Subtotal | Contributions | December 31, 2021 |
| Present value of defined benefit obligation | ₱3,108,752,713 | ₱313,644,955 | ₱122,809,474 | ₱436,454,429 | (₱160,816,123) | ₱– | ₱245,678,402 | ₱11,393,994 | (₱879,815,171) | (₱622,742,775) | ₱– | ₱2,761,648,244 |
| Fair value of plan assets | (2,086,492,010) | – | (86,054,016) | (86,054,016) | 160,816,123 | (21,848,508) | – | – | – | (21,848,508) | (344,863,044) | (2,378,441,455) |
| | ₱1,022,260,703 | ₱313,644,955 | ₱36,755,458 | ₱350,400,413 | ₱– | (₱21,848,508) | ₱245,678,402 | ₱11,393,994 | (₱879,815,171) | (₱644,591,283) | (₱344,863,044) | ₱383,206,789 |

The fair value of net plan assets of the Group by class as at the end of the reporting period are as follows:

| | **2022** | 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents (Note 32) | **₱48,981,077** | ₱8,029,108 |
| Loans receivable | **240,570,000** | 240,570,000 |
| Financial assets at FVOCI | **65,616,796** | 96,776,126 |
| Held to collect | **253,596,206** | 273,337,911 |
| UITF investments | **1,573,367,141** | 1,602,188,748 |
| Interest receivable | **3,276,672** | 3,789,279 |
| Prepaid tax | **136** | – |
| Due from Universal Robina Corporation | – | 10,696,570 |
| Land | **143,201,000** | 143,201,000 |
| | **2,328,609,028** | 2,378,588,742 |
| **Liabilities** | | |
| Accounts payable, accrued trust and management fees | **52,704** | 147,287 |
| Due to Universal Robina Corporation | **104,122,418** | – |
| | **₱2,224,433,906** | ₱2,378,441,455 |

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for defined benefit plans are as follows:

| | Parent Company | | NURC | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Discount rate | **7.27%** | 5.09% | **7.28%** | 5.08% |
| Salary increase | **5.50%** | 4.00% | **5.50%** | 4.00% |

The overall expected rate of return on assets is determined based on the market expectation prevailing on that date, applicable to the period over which the obligation is to be settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

| | | Parent Company | | NURC | |
|---|---|---|---|---|---|
| | Increase (Decrease) | **2022** | 2021 | **2022** | 2021 |
| Discount rate | 1.00% | **(₱207,298,546)** | (₱230,507,684) | **(₱5,456,570)** | (₱5,925,328) |
| | (1.00%) | **240,453,888** | 269,614,527 | **6,376,289** | 6,930,471 |
| Salary increase | 1.00% | **₱242,329,425** | ₱269,864,839 | **₱6,426,865** | ₱6,936,203 |
| | (1.00%) | **(212,397,251)** | (234,831,852) | **(5,590,791)** | (6,036,004) |

The Group expects to contribute ₱354.0 million in the pension fund in 2023.

Shown below is the maturity analysis of the Group's expected (undiscounted) benefit payments:

| | **2022** | 2021 |
|---|---|---|
| Less than one year | **₱290,515,662** | ₱210,902,007 |
| More than one year to five years | **1,082,867,017** | 1,097,560,577 |
| More than five years to 10 years | **1,744,812,861** | 1,513,546,156 |
| More than 10 years to 15 years | **2,359,752,343** | 1,895,016,653 |
| More than 15 years to 20 years | **2,909,200,675** | 2,114,945,942 |
| More than 20 years | **8,292,797,208** | 6,024,292,339 |

Shown below is the average duration of the defined benefit obligation at the end of the reporting period:

| | **2022** | 2021 |
|---|---|---|
| | (Years) | |
| Parent Company | 9 | 9 |
| NURC | 9 | 9 |

## 29. **Income Taxes**

Provision for income tax consists of:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Current | **₱2,947,016,428** | ₱1,680,592,982 | ₱1,763,593,118 |
| Deferred | **53,181,603** | (101,921,756) | 209,612,202 |
| | **₱3,000,198,031** | ₱1,578,671,226 | ₱1,973,205,320 |

Components of the Group's net deferred tax assets and liabilities follow:

| | **Net deferred tax assets** | | **Net deferred tax liabilities** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Deferred tax assets on: | | | | |
| Pension liabilities | **₱230,487,576** | ₱214,689,867 | **₱–** | ₱– |
| Accrued expenses | – | – | **112,119,158** | 99,827,769 |
| Leases | **110,179,941** | 99,236,150 | – | – |
| Impairment losses on trade receivables and property and equipment | **123,423,925** | 84,839,934 | **3,164,094** | 2,797,164 |
| Inventory write-downs | **63,088,146** | 82,734,842 | **3,250,757** | 2,087,558 |
| CTA of foreign subsidiaries | **46,369,203** | 42,413,828 | – | – |
| NOLCO | **65,649,764** | 39,270,200 | – | – |
| Net unrealized foreign exchange losses | – | 347,200 | – | – |
| | **639,198,555** | 563,532,021 | **118,534,009** | 104,712,491 |
| Deferred tax liabilities on: | | | | |
| Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks | **1,574,093** | 1,496,219 | – | – |
| Accelerated depreciation | – | – | **189,894,873** | 193,870,221 |
| Intangibles | – | – | **1,030,428,235** | 996,512,626 |
| Undistributed income of subsidiaries | **105,104,179** | 105,110,264 | **1,059,546,801** | 946,675,218 |
| Accrued revenue | **48,557,395** | 9,397,043 | – | – |
| Net unrealized foreign exchange gain | **33,960,589** | – | – | – |
| | **189,196,256** | 116,003,526 | **2,279,869,909** | 2,137,058,065 |
| Net deferred tax assets (liabilities) | **₱450,002,299** | ₱447,528,495 | **(₱2,161,335,900)** | (₱2,032,345,574) |

As of December 31, 2022 and 2021, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱392.1 million and ₱313.6 million, respectively, since management believes that future taxable income will not be available to allow all or part of the deferred tax assets to be utilized.

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

| | **December 31, 2022** | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Statutory income tax rate | **25.00%** | 25.00% | 30.00% |
| Increase (decrease) in tax rate resulting from: | | | |
| Net income of subsidiaries with different tax rate | **(9.17)** | (17.53) | (13.20) |
| Income subject to lower tax rate | **(0.93)** | (0.24) | (0.11) |
| Equity in net income of a joint venture | **0.54** | 0.09 | 0.07 |
| Change in value of financial assets at FVTPL | **(0.10)** | (0.08) | (0.03) |
| Income exempt from tax | **(0.06)** | (1.04) | (3.08) |
| Interest income subjected to final tax | **(0.04)** | (0.04) | (0.11) |
| Nondeductible interest expense | **0.03** | 0.01 | 0.05 |
| CREATE Act adjustment | **–** | (0.12) | – |
| Others | **1.90** | 1.21 | 1.91 |
| Effective income tax rate | **17.17%** | 7.26% | 15.50% |

Under Philippine tax laws, the Group is subject to income taxes, as well as other taxes (presented as 'Taxes and licenses' in the consolidated statements of income). Other taxes paid consist principally of documentary stamp taxes, real estate taxes and municipal taxes.

Corporate Recovery and Tax Incentives for Enterprises or "CREATE" Act

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021. This aimed to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 of the CREATE Act introduced reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette on April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Group:

- Effective July 1, 2020, Regular Corporate Income Tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%. Furthermore, effective July 1, 2020, interest expense allowed as a deductible expense is reduced by 20% from 33% of interest income subject to final tax.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Applying the provisions of the CREATE Act, the Company is subject to lower RCIT rate of 25% effective July 1, 2020.
- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated corporate income tax rate of the Company for the year 2020 is 27.5%. Consequently in 2021, the Company reversed a portion of its 2020 income tax payable and provision for current income tax accounts amounting to ₱93.8 million. Also, it derecognized its deferred tax assets amounting to ₱84.0 million, provision for deferred income tax for ₱37.3 million, and other comprehensive income for ₱46.7 million.

Current tax regulations further provides that an Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the years ended December 31, 2022, 2021, and 2020, the Group did not claim the OSD in lieu of the itemized deductions.

Entertainment, Amusement and Recreation (EAR) Expenses
Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' in the consolidated statements of income) amounting to ₱41.5 million, ₱44.5 million, and ₱40.9 million for the years ended December 31, 2022, 2021, and 2020, respectively.

MCIT
An MCIT on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

## 30. **Discontinued Operations and Disposal of Businesses**

*Sale of Oceania businesses*
In July 2019, Intersnack, agreed to buy 40% of Oceania businesses of URC, to leverage on the Group's and Intersnack's know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. On December 23, 2019, the Australian Foreign Investment Review Board (FIRB) approved the transaction. Following the approval, the transaction was completed on the same date. Considerations received for the transaction consisted of cash and Yarra Valley net assets amounting to US$142.0 million (₱7.2 billion) and US$10.1 million (₱0.5 billion), respectively. As part of the agreement, Intersnack was also given an option to acquire an additional 9% equity share in Unisnack Holding Company Ltd. (UHC).

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%, and gave rise to 40% non-controlling interest in the consolidated financial statements. As the Group continued to exercise control over UHC, the partial disposal was accounted for as a transaction between owners in their capacity as owners, or an equity transaction, in accordance with the requirements of PFRS 3, *Business Combinations*. Accordingly, the excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱2.4 billion is presented under 'Equity reserve' in the consolidated statement of financial position.

On July 29, 2021, URC Oceania executed a share purchase agreement to sell its remaining 60% ownership interest in its Australia and New Zealand businesses (held under UHC) to Intersnack Group. The first tranche was the exercise of the call option from the 2019 transaction by Intersnack, which allowed it to acquire an additional 9% ownership interest (38,700 ordinary shares) in UHC at a pre-determined exercise price. This was immediately followed by the sale for cash of the remaining 51% ownership interest (219,300 ordinary shares) in UHC. The total cash received by URC Oceania from the 2021 disposal amounted to ₱24.0 billion.

The closing conditions were met, and the transaction was approved by the Australian Foreign Investment Review Board and New Zealand Overseas Investment Office on October 29, 2021. As a result of this transaction, the Group has relinquished control and ownership over UHC and its subsidiaries.

The derecognized assets and liabilities of UHC as of the date of deconsolidation follow:

| | |
|---|---|
| **Assets** | |
| Cash and cash equivalents | ₱1,638,743,847 |
| Receivables | 3,476,025,296 |
| Inventories | 2,115,987,811 |
| Property, plant and equipment | 10,905,146,480 |
| Right-of-use assets (Note 34) | 3,266,978,158 |
| Goodwill | 30,867,806,512 |
| Intangible assets | 11,984,311,273 |
| Deferred tax assets | 104,923,273 |
| Other assets | 123,738,222 |
| | ₱64,483,660,872 |
| **Liabilities** | |
| Accounts payable and other accrued liabilities | ₱4,415,922,993 |
| Income tax payable | 18,419,235 |
| Lease liabilities | 3,863,641,971 |
| Deferred tax liabilities | 3,134,514,373 |
| Other liabilities | 33,278,489,808 |
| | 44,710,988,380 |
| **Net Assets** | ₱19,772,672,492 |

Cumulative translation adjustments related to UHC amounting to ₱214.8 million were also reclassified to profit and loss.

PFRS 5 requires income and expenses from disposal groups to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the consolidated statements of income for the years ended December 31, 2020 and 2019 have been restated to present the results of operations of UHC as 'Net income after tax from discontinued operations'.

The results of operations of UHC in the consolidated statements of income are presented below:

| | 2021 | 2020 |
|---|---|---|
| Sale of goods and services | ₱18,837,246,465 | ₱19,978,296,082 |
| Cost of sales | 12,856,083,612 | 13,508,444,120 |
| Gross profit | 5,981,162,853 | 6,469,851,962 |
| Selling and distribution costs | 2,862,499,842 | 3,175,852,507 |
| General and administrative expenses | 1,077,497,034 | 1,143,290,085 |
| Operating income | 2,041,165,977 | 2,150,709,370 |
| Finance revenue | 17,040,284 | 19,081,780 |
| Finance costs | (740,256,456) | (778,762,553) |
| Foreign exchange gain - net | 11,153,751 | 17,892,394 |
| Equity in net income of joint venture | – | 31,586,911 |

*(Forward)*

| | 2021 | 2020 |
|---|---|---|
| Other income (expense) - net | ₱170,200,127 | (₱161,558,790) |
| Income before income tax | 1,499,303,683 | 1,278,949,112 |
| Provision for income tax | 319,170,663 | 158,476,378 |
| Net income | 1,180,133,020 | 1,120,472,734 |
| Gain on deconsolidation | 10,100,438,582 | – |
| Net income from discontinued operations | ₱11,280,571,602 | ₱1,120,472,734 |

| | 2021 | 2020 |
|---|---|---|
| Attributable to Parent Company | ₱10,808,518,394 | ₱672,283,640 |
| Attributable to non-controlling interest | 472,053,208 | 448,189,094 |
| | ₱11,280,571,602 | ₱1,120,472,734 |

Other comprehensive income (losses) from discontinued operations consists of the following:

| | 2021 | 2020 |
|---|---|---|
| Attributable to Parent Company | (₱214,775,311) | ₱514,552,426 |
| Attributable to non-controlling interest | 11,044,781 | (31,878,966) |
| | (₱203,730,530) | ₱482,673,460 |

The related cash flows arising from Oceania businesses activities for the ten months ended October 31, 2021 follow:

| | |
|---|---|
| Net cash provided by operating activities | ₱1,816,495,886 |
| Net cash provided by investing activities | 21,701,828,072 |
| Net cash used in financing activities | (373,118,903) |
| Net cash flows from discontinued operations | ₱23,145,205,055 |

The aggregate consideration received consists of:

| | |
|---|---|
| Cash (net of transaction costs) | ₱23,930,903,237 |
| Non-controlling interest | 6,244,876,706 |
| Equity items | (302,668,869) |
| | ₱29,873,111,074 |

Total gain on deconsolidation amounted to ₱10.1 billion, which is the difference between the consideration received and the carrying value of the Group's investment in UHC. The net cash outflow arising from the deconsolidation of cash and cash equivalents of UHC amounted to ₱1.6 billion.

## 31. Earnings Per Share

The following reflects the income and share data used in the basic/dilutive EPS computations:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Net income attributable to equity holders of the parent | **₱13,956,141,883** | ₱23,323,672,422 | ₱10,746,720,491 |
| Weighted average number of common shares | **2,185,417,208** | 2,203,752,076 | 2,204,161,868 |
| Basic/dilutive EPS | **₱6.39** | ₱10.58 | ₱4.88 |

The weighted average number of common shares excludes the treasury shares. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

There were no potential dilutive shares for the years ended December 31, 2022, 2021, and 2020.

## 32. Related Party Transactions

The Group, in the regular conduct of its business, has entered into transactions with JGSHI, its ultimate parent, and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, regular banking transactions, leases and, management and administrative service agreements. Transactions with related parties are generally settled in cash.

Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. Details of related party transactions are as follows:

| | | | | December 31, 2022 | | | | |
|---|---|---|---|---|---|---|---|---|
| **Related Party** | **Category/ Transaction** | **Amount/ Volume** | **Cash and Cash Equivalents** (Note 7) | **Lease Liability** (Note 34) | **Trade Receivable (Payable) - net** (Notes 9 and 18) | **Non-trade Receivable (Payable) - net** (Notes 9 and 18) | **Terms** | **Conditions** |
| **Ultimate Parent Company** | Rental expense | **₱134,023,567** | **₱–** | **(₱637,984,654)** | **₱–** | **(₱1,695,832)** | On demand | Unsecured |
| | Management services | **188,151,605** | – | – | – | **(12,293,950)** | On demand | Unsecured |
| | Advances | **520,713,170** | – | – | – | **583,283,379** | On demand | Unsecured |
| **Entities under common control** | | – | – | – | – | – | | |
| Due from related parties | Sale of property | **3,303,354,600** | – | – | – | **2,383,354,600** | Payable until 2023 | Unsecured; no impairment |
| | Sale of goods | **1,288,787,045** | – | – | **166,329,194** | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | **44,670,092** | – | – | – | **40,752,773** | On demand; non-interest bearing | Unsecured; no impairment |
| | Management services | **331,276,803** | – | – | **(44,102,715)** | **771,071,003** | On demand; non-interest bearing | Unsecured; no impairment |
| | Advances | **102,523,371** | – | – | – | **655,700,729** | On demand; non-interest bearing | Unsecured; no impairment |
| Due to related parties | Rental expense | **352,821,049** | – | **(1,288,505,152)** | – | **(90,688,462)** | On demand | Unsecured |
| | Purchases | **1,266,873,883** | – | – | **(6,526,298)** | **(56,894,020)** | On demand | Unsecured |
| | Electricity and utilities | **144,926,143** | – | – | – | **(24,128,321)** | On demand | Unsecured |
| | Contracted services | **155,690,895** | – | – | – | **(79,039,936)** | On demand | Unsecured |
| Cash and cash equivalents | Cash in bank | **(893,393,503)** | **3,271,837,529** | – | – | – | Interest-bearing at prevailing market rate; due and demandable | Unsecured; no impairment |
| | Short-term investments | **(882,151,142)** | **817,395,711** | – | – | – | Interest-bearing at prevailing market rate; due from 30 to 70 days; with interest of 3.4% to 4.6% | Unsecured; no impairment |
| | Interest income | **18,092,887** | – | – | **4,456,210** | – | Due from 30 to 70 days | Unsecured |
| **Subsidiaries** | | | | | | | | |
| Due from related parties | Sales | **3,209,443,761** | – | – | **472,516,808** | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | **28,396,810** | – | – | – | **5,891,647** | On demand; non-interest bearing | Unsecured; no impairment |
| | Dividend income | **4,178,119,363** | – | – | – | – | | |
| Due to related parties | Purchases | **18,641,411,355** | – | – | **(3,066,378,316)** | – | On demand | Unsecured |
| | Rent expense | **17,589,486** | – | – | **(25,044,537)** | – | On demand | Unsecured |
| **Joint Venture** | | | | | | | | |
| Due from related parties | Sale of goods | **62,161,426** | – | – | **52,052,816** | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | **11,208,733** | – | – | – | **739,234,216** | On demand; non-interest bearing | Unsecured; no impairment |
| Due to related parties | Purchases | **738,296,411** | – | – | **(192,058,291)** | – | 1 to 30 days; non-interest bearing | Unsecured |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | December 31, 2021 | | | | | | | |
| Related Party | Category/ Transaction | Amount/ Volume | Cash and Cash Equivalents (Note 7) | Short-term debt (Note 17) | Lease Liability (Note 34) | Trade Receivable (Payable) - net (Notes 9 and 18) | Non-trade Receivable (Payable) - net (Notes 9 and 18) | Terms | Conditions |
| **Ultimate Parent Company** | Rental expense | ₱118,469,789 | ₱– | ₱– | (₱706,413,557) | ₱– | (₱9,341,133) | On demand | Unsecured |
| | Management services | 47,994,974 | – | – | – | – | (111,375,780) | On demand | Unsecured |
| **Entities under common control** | | | | | | | | | |
| Due from related parties | Sale of goods | 1,379,110,949 | – | – | – | 113,588,779 | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | 50,028,712 | – | – | – | – | 66,939,815 | On demand; non-interest bearing | Unsecured; no impairment |
| | Management services | 350,682,817 | – | – | – | – | 1,842,463,521 | On demand; non-interest bearing | Unsecured; no impairment |
| | Advances | – | – | – | – | – | 572,508,369 | On demand; non-interest bearing | Unsecured; no impairment |
| Due to related parties | Rental expense | 227,831,704 | – | – | (1,491,469,151) | – | – | On demand | Unsecured |
| | Purchases | 1,298,087,872 | – | – | – | (117,955,615) | – | On demand | Unsecured |
| | Electricity and utilities | 346,722,292 | – | – | – | – | (77,533,427) | On demand | Unsecured |
| | Contracted services | 163,608,143 | – | – | – | – | (41,116,399) | On demand | Unsecured |
| Cash and cash equivalents | Cash in bank | 3,191,256,651 | 4,165,231,032 | – | – | – | – | Interest-bearing at prevailing market rate; due and demandable | Unsecured; no impairment |
| | Short-term investments | 53,898,037 | 1,699,546,853 | – | – | – | – | Interest-bearing at prevailing market rate; due from 21 to 56 days; with interest ranging from 0.1% to 0.2% | Unsecured; no impairment |
| | Interest income | 4,299,202 | – | – | – | 866,393 | – | Due from 21 to 56 days | Unsecured |
| Short-term debt | Short-term debt | 200,000,000 | – | – | – | – | – | | |
| | Interest expense | 2,776,111 | – | – | – | – | – | | |
| **Subsidiaries** | | | | | | | | | |
| Due from related parties | Sale of goods | 2,646,671,031 | – | – | – | 520,965,116 | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | 26,516,110 | – | – | – | – | 2,995,831 | On demand; non-interest bearing | Unsecured; no impairment |
| | Dividend income | 9,095,145,203 | – | – | – | – | – | | |
| Due to related parties | Purchases | 14,185,149,708 | – | – | – | (3,498,836,584) | – | On demand | Unsecured |
| **Joint Venture** | | | | | | | | | |
| Due from related parties | Sale of goods | 40,898,498 | – | – | – | 29,193,435 | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | 2,896,927 | – | – | – | 3,137,399 | – | On demand; non-interest bearing | Unsecured; no impairment |
| Due to related parties | Purchases | 938,156,041 | – | – | – | (137,124,921) | – | 1 to 30 days; non-interest bearing | Unsecured |

| | | | | | December 31, 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Related Party | Category/ Transaction | Amount/ Volume | Cash and Cash Equivalents (Note 7) | Short-term debt (Note 17) | Lease Liability (Note 34) | Trade Receivable (Payable) - net (Notes 9 and 18) | Non-trade Receivable (Payable) - net (Notes 9 and 18) | Terms | Conditions |
| **Ultimate Parent Company** | Rental expense | ₱121,063,946 | ₱– | ₱– | (₱764,321,855) | ₱– | ₱– | On demand | Unsecured |
| | Management services | 40,414,311 | – | – | – | – | (243,066,092) | On demand | Unsecured |
| **Entities under common control** | | | | | | | | | |
| Due from related parties | Sale of goods | 1,274,143,021 | – | – | – | 25,245,126 | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | 49,501,228 | – | – | – | – | 34,688,812 | On demand; non-interest bearing | Unsecured; no impairment |
| | Engineering services | 6,664,509 | – | – | – | – | 61,416,363 | On demand; non-interest bearing | Unsecured; no impairment |
| | Management services | 411,141,548 | – | – | – | 70,348,843 | 261,615,143 | On demand; non-interest bearing | Unsecured; no impairment |
| | Advances | – | – | – | – | – | 689,359,835 | On demand; non-interest bearing | Unsecured; no impairment |
| Due to related parties | Rental expense | 211,864,735 | – | – | (1,588,880,760) | – | – | On demand | Unsecured |
| | Purchases | 673,852,625 | – | – | – | (56,927,174) | – | On demand | Unsecured |
| | Electricity and utilities | 262,792,339 | – | – | – | – | (40,270,009) | On demand | Unsecured |
| | Contracted services | 137,542,136 | – | – | – | (68,741) | 4,676 | On demand | Unsecured |
| Cash and cash equivalents | Cash in bank | 508,735,676 | 943,157,274 | – | – | – | – | Interest-bearing at prevailing market rate; due and demandable | Unsecured; no impairment |
| | Money market placements | 474,642,999 | 1,645,648,816 | – | – | – | – | Interest-bearing at prevailing market rate; due from 7 to 90 days; with interest ranging from 0.1% to 0.6% | Unsecured; no impairment |
| | Interest income | 9,817,642 | – | – | – | 1,464,611 | – | Due from 7 to 90 days | Unsecured; no impairment |
| Short-term debt | Short-term debt | 200,000,000 | – | (200,000,000) | – | – | – | Interest-bearing at prevailing market rate; due within 30 days from availment; with interest of 2.8% | Unsecured |
| | Interest expense | 46,027 | – | (46,027) | – | – | – | Due within 30 days | Unsecured |
| **Subsidiaries** | | | | | | | | | |
| Due from related parties | Sale of goods | 2,776,408,565 | – | – | – | 552,967,141 | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | 22,573,198 | – | – | – | – | – | | |
| | Dividend income | 357,000,000 | – | – | – | – | – | | |
| Due to related parties | Purchases | 13,999,697,744 | – | – | – | (4,656,218,581) | – | On demand | Unsecured |
| **Joint Venture** | | | | | | | | | |
| Due from related parties | Sale of goods | 52,408,053 | – | – | – | 14,901,911 | – | On demand; non-interest bearing | Unsecured; no impairment |
| | Rental income | 1,498,893 | – | – | – | 1,923,368 | – | On demand; non-interest bearing | Unsecured; no impairment |
| Due to related parties | Purchases | 1,063,089,575 | – | – | – | (116,524,260) | – | 1 to 30 days; non-interest bearing | Unsecured |

The Group maintains savings and current accounts and time deposits with an entity under common control which is a local commercial bank. Cash and cash equivalents earn interest at the prevailing bank deposit rates.

As of December 31, 2022 and 2021, the Group has advances from stockholders amounting to ₱298.3 million and ₱196.2 million, respectively (see Note 18). These advances are non-interest bearing and payable on demand.

*Transactions with the retirement plan*
The Parent Company entered into an agreement to lease the land of the retirement plan for a period of one (1) year, renewable annually. Rentals incurred amounted to ₱25.3 million for the years ended December 31, 2022 and 2021. Terms are unsecured, noninterest-bearing and payable on demand.

Compensation of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Short-term employee benefits | **₱370,640,770** | ₱359,557,483 | ₱250,161,746 |
| Post-employment benefits | **136,134,954** | 37,335,668 | 205,220,282 |
| | **₱506,775,724** | ₱396,893,151 | ₱455,382,028 |

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

*Approval Requirements and Limits on the Amount and Extent of Related Party Transactions*
Material related party transactions (MRPT) refers to any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

## 33. Registration with the BOI

Certain operations of the Parent Company are registered with the BOI as preferred pioneer and non-pioneer activities. As a registered enterprise, the Parent Company is subject to some requirements and is entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

Sugar Millsite - Sonedco
On June 29, 2018, Sugar Millsite - Sonedco was registered with the BOI as an expanding producer of refined sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from September 2018 (as an expanding producer of refined sugar and its by-product) or actual start of commercial operation, whichever is earlier, but availment shall in no case be earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 22 and its Implementing Rules and Regulations. Only capital equipment, spare parts and accessories directly needed and exclusively used in its operation shall be entitled to zero duty; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with Customs Bonded Manufacturing Warehouse (CBMW) exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (e) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (f) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and export tax, duty, impost and fee for a period of ten (10) years from the date of registration; (i) access to CBMW subject to the Customs rules and regulations, and (j) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

The said expansion started commercial operation on November 27, 2018.

Sugar Millsite - Balayan
On September 8, 2017, Sugar Millsite - Balayan was registered with the BOI as an expanding producer of raw sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from November 2018 (as an expanding producer of raw sugar and its by-product) or actual start of commercial operation, whichever is earlier but in no case be earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 22 and its Implementing Rules and Regulations. Only equipment directly needed and exclusively use in its operation shall be entitled to capital equipment incentives; (c) additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (e) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; and (f) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

The said expansion started commercial operation early of 2019.

Sugar Millsite – URSUMCO
On April 29, 2021, Sugar Millsite - URSUMCO was registered with the BOI as an expanding producer of refined sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from April 2021 (as an expanding producer of refined sugar and its by-product) or actual start of commercial operation, whichever is earlier but availment shall in no case be earlier that the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 85 and its Implementing Rules and Regulations. Only capital equipment, spare parts and accessories directly needed and exclusively use in its operation shall be entitled zero (0) duty; (c) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (e) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (f) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (g) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (h) access to Custom Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations; (i) tax and duty exemption on imported breeding stocks and genetic materials within ten (10) years from date of registration; and (j) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from date of registration.

The said expansion started commercial operation on April 1, 2021.

Cogeneration
On September 26, 2014, Cogeneration was registered with the BOI as a Renewable Energy (RE) developer of Bagasse-fired power plant.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years reckoned from the state at which the RE Plant generated the first kilowatt-hour of energy after commissioning or testing, or two (2) months from date of commissioning or testing, whichever is earlier, as certified by Department of Energy (DOE); (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; within the first ten (10) years from the issuance of the DOE certificate of registration; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code (NIRC) for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Distillery

*Producer of bioethanol (anhydrous) under RA 9513*

On September 30, 2020, the Parent Company took over the operations of the Distillery from Roxol Bioenergy Corporation (RBC) after executing a Deed of Sale on the purchase of RBC's land and assets. The Distillery operations was registered with the BOI on October 24, 2008 as new producer of bioethanol (anhydrous) and potable (hydrous) ethanol under E.O. 226.

Per BOI letter dated October 22, 2014, the BOI registration as new producer of bioethanol (anhydrous) was transferred from E.O. 226 to R.A. 9513 (Renewable Energy Act of 2008) subject to new terms and conditions.

On February 24, 2021, the Certificate of Accreditation No. DOE-COA-2021-BE003A and Certificate of Registration No. RE-B2013-11-077A were both awarded by the Department of Energy (DOE) to the Parent Company. In addition, on March 24, 2021, the DOE issued a letter of endorsement to the BIR in relation to the Parent Company's application of 10% Corporate Tax Rate for income generated from the Distillery operations.

Under the new terms of the registration under RA 9513, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for seven (7) years reckoned from the date of actual commercial operations, as certified by the DOE; (b) duty-free importation of RE machinery, equipment and materials including control and communication equipment, within the first ten (10) years from the issuance of BOI certificate of registration or until October 23, 2018; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery; (e) the NOLCO during the first three years from the start of commercial operation shall be carried over as deduction from the gross income as defined in the NIRC for the next seven consecutive taxable years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of power generated by the enterprise as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) the enterprise may be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge of power needed to service missionary areas, chargeable against the universal charge for missionary electrification; (j) tax credit equivalent to 100.0% of the value of VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

*Renewable energy developer of biomass resources*
On August 28, 2013, Distillery was registered with the BOI as a manufacturer of bio-ethanol (fuel grade ethanol).

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years from March 2014 or date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; within the first ten (10) years from the issuance of the BOI certificate of registration; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the NIRC for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Robina Farms (RF) - Poultry
*Expanding producer of table eggs*
On July 23, 2018, RF - Poultry was registered as an expanding producer of table eggs for the new commercial layer houses, with a non-pioneer status.

RF - Poultry is eligible to the grant of the following incentives: (a) ITH for three (3) years from July 2018 or actual start of commercial operations, whichever is earlier, but shall in no case be earlier than the date of registration. Income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project; (b) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (c) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (e) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (f) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (g) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (h) access to CBMW subject to the Customs rules and regulations; and (i) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

Robina Farms (RF) - Hogs

*Producer of processed meat products*

On October 28, 2019, RF - Hogs was registered with the BOI as a new producer of processed meat products, with a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of four (4) years from October 2019 or actual start of commercial operations, whichever is earlier, but availment shall not be earlier than the date of registration. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project. The enterprise can avail of bonus year subject to certain terms and conditions provided that the aggregate ITH availment (regular and bonus years) shall not exceed eight (8) years. The ITH bonus year shall not be applicable to expansion and modernization project; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under Executive Order No. 85 and its Implementing Rules and Regulation; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (e) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (f) employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (i) access to CBMW subject to the Customs rules and regulations; (j) tax and duty exemption on imported breeding stocks and genetic materials within ten (10) years from the date of registration; and (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from date of registration.

URC Flour

On December 5, 2018, URC Flour was registered with the BOI as an expanding producer of flour, with a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from July 2019 or actual start of commercial operations, whichever is earlier, but availment shall not be earlier than the date of registration. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under Executive Order No. 57 and its Implementing Rules and Regulations; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (e) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (f) employment of foreign nationals.

This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (i) access to CBMW subject to the Customs rules and regulations; and (j) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

## 34. Commitments and Contingencies

Milling Contracts

Milling contracts with various planters provide for a 60%-70% share to the planters (including related parties) and 30%-40% share to the Group of sugar and molasses produced from sugar canes milled. The Sugar Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.

Sugar under Custody but Not Owned

As of December 31, 2022 and 2021, the Group has in its custody sugar owned by several quedan holders amounting to ₱3.9 billion (1,098,275 Lkg) and ₱1.4 billion (862,837 Lkg), respectively. The said volume of sugar is not reflected in the consolidated statements of financial position since this is not owned by the Group. The Group is accountable to both quedan holders and sugar traders for the value of these trusteed sugar or their sales proceeds.

Leases

The Group's leases mostly pertain to land, office spaces, warehouses, machinery and equipment, transportation equipment and furniture and fixtures. Leases of land, office spaces, warehouses, machinery and equipment, transportation equipment and furniture and fixtures generally have terms ranging from two (2) to thirty (30) years.

*Right-of-use Assets*

Set out below are the carrying amounts of ROU assets recognized and the movements during the year ended December 31, 2022 and 2021:

| | As of and for the year ended December 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Land and Land improvements | Buildings and Improvements | Machinery and Equipment | Transportation Equipment | Furniture and Fixtures | Total |
| **Cost** | | | | | | |
| Balance at beginning of year, as restated | **₱1,058,715,816** | **₱2,248,946,430** | **₱30,891,009** | **₱1,100,448** | **₱–** | **₱3,339,653,703** |
| Additions | – | **441,393,255** | – | – | **292,032** | **441,685,287** |
| Derecognition | – | **(615,423,097)** | **(30,891,009)** | **(1,100,448)** | – | **(647,414,554)** |
| Other adjustments | **1,340,272** | **17,653,380** | – | – | – | **18,993,652** |
| Balance at end of year | **1,060,056,088** | **2,092,569,968** | – | – | **292,032** | **3,152,918,088** |
| **Accumulated Depreciation** | | | | | | |
| Balance at beginning of year | **213,675,560** | **878,819,639** | **30,891,009** | **1,100,448** | – | **1,124,486,656** |
| Depreciation | **1,842,547** | **367,343,541** | – | – | **23,126** | **369,209,214** |
| Derecognition | – | **(333,932,655)** | **(30,891,009)** | **(1,100,448)** | – | **(365,924,112)** |
| Other adjustments | **333,681** | **23,239,132** | – | – | **1,224** | **23,574,037** |
| Balance at end of year | **215,851,788** | **935,469,657** | – | – | **24,350** | **1,151,345,795** |
| **Net Book Value at End of Year** | **₱844,204,300** | **₱1,157,100,311** | **₱–** | **₱–** | **₱267,682** | **₱2,001,572,293** |

| | As of and for the year ended December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Land and Land improvements | Buildings and Improvements | Machinery and Equipment | Transportation Equipment | Furniture and Fixtures | Total |
| **Cost** | | | | | | |
| Balance at beginning of year, as restated | ₱1,059,912,417 | ₱6,257,085,523 | ₱57,551,568 | ₱24,555,252 | ₱1,615,368 | ₱7,400,720,128 |
| Additions | – | 138,509,999 | 17,292,372 | 1,884,898 | 10,243,075 | 167,930,344 |
| Divestment of business (Note 30) | – | (4,221,784,563) | (46,381,967) | (25,648,019) | (11,874,363) | (4,305,688,912) |
| Other adjustments | (1,196,601) | 75,135,471 | 2,429,036 | 308,317 | 15,920 | 76,692,143 |
| Balance at end of year | 1,058,715,816 | 2,248,946,430 | 30,891,009 | 1,100,448 | – | 3,339,653,703 |
| **Accumulated Depreciation** | | | | | | |
| Balance at beginning of year | 212,016,298 | 1,109,076,025 | 49,366,537 | 12,665,524 | 1,615,368 | 1,384,739,752 |
| Depreciation | 1,819,240 | 634,427,844 | 12,290,512 | 7,008,423 | 2,015,106 | 657,561,125 |
| Divestment of business (Note 30) | – | (983,187,524) | (33,112,194) | (18,764,642) | (3,646,394) | (1,038,710,754) |
| Other adjustments | (159,978) | 118,503,294 | 2,346,154 | 191,143 | 15,920 | 120,896,533 |
| Balance at end of year | 213,675,560 | 878,819,639 | 30,891,009 | 1,100,448 | – | 1,124,486,656 |
| **Net Book Value at End of Year** | ₱845,040,256 | ₱1,370,126,791 | ₱– | ₱– | ₱– | ₱2,215,167,047 |

Depreciation

The breakdown of depreciation and amortization of ROU asset follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Cost of sales (Note 21) | **₱123,701,844** | ₱117,462,530 | ₱145,054,774 |
| Selling and distribution costs (Note 22) | **149,036,499** | 131,861,122 | 158,870,355 |
| General and administrative expenses (Note 23) | **96,470,871** | 98,993,165 | 102,513,545 |
| Discontinued operations (Note 30) | **–** | 309,244,308 | 288,392,021 |
| | **₱369,209,214** | ₱657,561,125 | ₱694,830,695 |

*Lease Liabilities*

The rollforward analysis of the Group's lease liabilities as at December 31, 2022 and 2021 follow:

| | **2022** | 2021 |
|---|---|---|
| As at January 1 | **₱2,480,767,596** | ₱6,678,556,563 |
| Additions | **376,395,049** | 393,623,329 |
| Accretion from continued operations (Note 27) | **189,697,980** | 203,442,993 |
| Accretion from discontinued operations (Note 30) | **–** | 134,272,943 |
| Payments | **(500,349,782)** | (814,968,947) |
| Derecognition | **(273,046,732)** | (4,138,618,730) |
| Other adjustments | **1,390,666** | 24,459,445 |
| As at December 31 | **₱2,274,854,777** | ₱2,480,767,596 |

The maturity analysis of lease liabilities is disclosed in Note 4, *Financial Risk Management Objectives and Policies.*

Derecognitions arose from disposal of business (see Note 30) and lease terminations during the period.

Summarized below are the amounts recognized in the 2022 and 2021 consolidated statements of comprehensive income in relation to the Group's leases:

| | **2022** | 2021 |
|---|---|---|
| **Cost of Sales** | | |
| Cost of services - depreciation of ROU assets | **₱123,701,844** | ₱117,462,530 |
| Rent expense - short term leases | **146,003,048** | 190,368,277 |
| | **269,388,704** | 307,830,807 |

*(Forward)*

| | 2022 | 2021 |
|---|---|---|
| **Operating Expenses** | | |
| Selling and distribution costs: | | |
| Depreciation of ROU assets | **₱149,036,499** | ₱131,861,122 |
| Rent expense - short term leases | **122,436,798** | 367,951,289 |
| General and administrative expenses: | | |
| Depreciation of ROU assets | **96,470,87** | 98,993,166 |
| Rent expense - short term leases | **87,901,734** | 74,375,388 |
| | **455,845,903** | 673,180,965 |
| **Finance Cost and Other Charges - Accretion of Lease Liabilities** | **₱189,697,980** | ₱337,715,936 |
| **Rent Income** | **₱111,263,169** | ₱58,792,660 |

Operating Lease Commitments - Group as a Lessor
The Group has entered into (1) one-year renewable, noncancellable leases with various related parties covering certain land and buildings where office spaces are located. Future minimum rentals receivable under noncancellable operating leases amounted to ₱40.2 million, ₱70.6 million, and ₱72.1 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Operating Lease Commitments - Group as a Lessee
The Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to twenty years from the date of the contracts and are renewable under certain terms and conditions. The Group's rentals incurred on these leases (included under 'Cost of sales, 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of income) amounted to ₱356.3 million, ₱329.4 million, and ₱526.3 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Within one year | **₱423,371,120** | ₱473,308,116 | ₱829,801,162 |
| After one year but not more than five years | **1,152,560,695** | 1,441,900,057 | 2,961,540,951 |
| More than five years | **1,809,101,854** | 2,110,381,626 | 6,069,158,735 |
| | **₱3,385,033,669** | ₱4,025,589,799 | ₱9,860,500,848 |

Others
The Group has various contingent liabilities arising in the ordinary conduct of business which are under either pending decision by the courts, arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

## 35. **Supplemental Disclosure to Cash Flow Statements**

The Group's noncash activities are as follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Cumulative translation adjustment (Note 20) | **₱1,872,914,779** | ₱507,763,509 | (₱1,333,855,802) |

The table below provides for the changes in liabilities arising from financing activities:

| | January 1 | Availment | Settlement | CTA/Others | December 31 |
|---|---|---|---|---|---|
| **2022** | **₱7,808,029,451** | **₱19,630,000,000** | **(₱15,740,000,000)** | **₱64,258,088** | **₱11,762,287,539** |
| 2021 | ₱34,006,341,332 | ₱9,200,000,000 | (₱4,002,001,432) | (₱31,396,310,449) | ₱7,808,029,451 |

As of December 31, 2022, part of the proceeds from disposal of property, plant and equipment and investment properties is recognized under current and noncurrent receivables from an affiliate (See notes 12 and 16).

## 36. **Approval for the Release of the Financial Statements**

The accompanying consolidated financial statements of the Group were authorized for issue by the Audit Committee and the BOD on March 28, 2023.

SGV
Building a better
working world

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6760 Ayala Avenue
1226 Makati City
Philippines

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Fax: (632) 8819 0872
ey.com/ph



**INDEPENDENT AUDITORS' REPORT**
**ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Universal Robina Corporation and Subsidiaries (the Group) as at December 31, 2022 and 2021, for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated March 28, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109950-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9369777, January 3, 2023, Makati City

March 28, 2023

**Universal Robina Corporation and Subsidiaries**
**Schedule A - Financial Assets**
**December 31, 2022**

| Name of Issuing Entity and Description of Each Issue | Number of Shares or Principal Amount of Bonds and Notes | Amount Shown in the Balance Sheet/ Notes | Valued Based on Market Quotations at Balance Sheet Date | Income Received and Accrued (including Dividends Received) |
|---|---|---|---|---|
| Various/Equity Securities | | ₱834,807,019 | ₱834,807,019 | ₱151,161,430 |

See Note 8 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**
**December 31, 2022**

| Name of Debtor | Balance at Beginning of Period | Additions | Collections | Balance at End of Period | | |
|---|---|---|---|---|---|---|
| | | | | Current | Noncurrent | Total |
| Various employees | ₱107,144,530 | | (₱69,834,910) | ₱37,309,620 | ₱– | ₱– |

See Note 9 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**
**Schedule C - Amounts Receivable from Related Parties Which are Eliminated During the Consolidation of Financial Statements**
**December 31, 2022**

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Amounts Collected | Others | Amounts Written Off | Balance at End of Period | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Current | Noncurrent | Total |
| URC Snack Ventures, Inc. | ₱332,632,867 | ₱– | (₱173,789,079) | ₱– | ₱– | ₱158,843,788 | ₱– | ₱158,843,788 |
| URC Beverage Ventures, Inc. | (85,011,573) | 85,123,642 | | – | – | 112,069 | – | 112,069 |
| CFC Corporation | 207,016,192 | – | (19,391,979) | – | – | 187,624,213 | – | 187,624,213 |
| URC International Company, Ltd. and its Subsidiaries | (859,412,386) | (598,409,665) | – | – | – | (1,457,822,051) | – | (1,457,822,051) |
| Nissin - Universal Robina Corporation | 130,752,845 | – | 24,563,086 | – | – | 155,315,931 | – | 155,315,931 |
| | (₱274,022,055) | (₱513,286,023) | (₱168,617,972) | ₱– | ₱– | (₱955,926,050) | ₱– | (₱955,926,050) |

**Universal Robina Corporation and Subsidiaries**
**Schedule D - Intangible Assets - Other Assets**
**December 31, 2022**

| Description | Beginning Balance | Additions at Cost | Deductions/Amortizations | | Other Charges– Additions (Deductions) | Ending Balance |
|---|---|---|---|---|---|---|
| | | | Charged to cost and Expenses | Charged to Other Accounts | | |
| Goodwill | ₱ 18,751,709,896 | ₱– | ₱– | ₱– | ₱611,374,197 | ₱19,363,084,093 |
| Trademarks/Brands | 2,885,185,560 | 650,719 | (76,585) | – | 96,442,646 | 2,982,202,340 |
| Product Formulation | 425,000,000 | – | – | – | – | 425,000,000 |
| Software Costs | – | 151,221,059 | (57,383,872) | – | 419 | 93,837,606 |
| Trade Secrets | 1,318,433,101 | – | – | – | 44,921,254 | 1,363,354,355 |
| Intangible Assets | ₱23,380,328,557 | ₱151,871,778 | (57,460,457) | ₱– | ₱752,689,228 | ₱24,227,478,394 |

See Note 14 of the Consolidated Financial Statements.

**Universal Robina Corporation and Subsidiaries**
**Schedule E - Long-Term Debt**
**December 31, 2022**

| Name of Issuer and Type of Obligation | Amount Authorized By Indenture | Amount Shown as Current | Amount Shown as Long-term | Total |
|---|---|---|---|---|

**NONE TO REPORT**

**Universal Robina Corporation and Subsidiaries**
**Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)**
**December 31, 2022**

| Name of Related Party | Balance at Beginning of Period | Balance at End of Period |
|---|---|---|

**NONE TO REPORT**

**Universal Robina Corporation and Subsidiaries**
**Schedule G - Guarantees of Securities and Other Issuers**
**December 31, 2022**

| Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed | Title of Issue of Each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding | Amount Owned by Person for which this Statement is Filed | Nature of Guarantee |
|---|---|---|---|---|

**NONE TO REPORT**

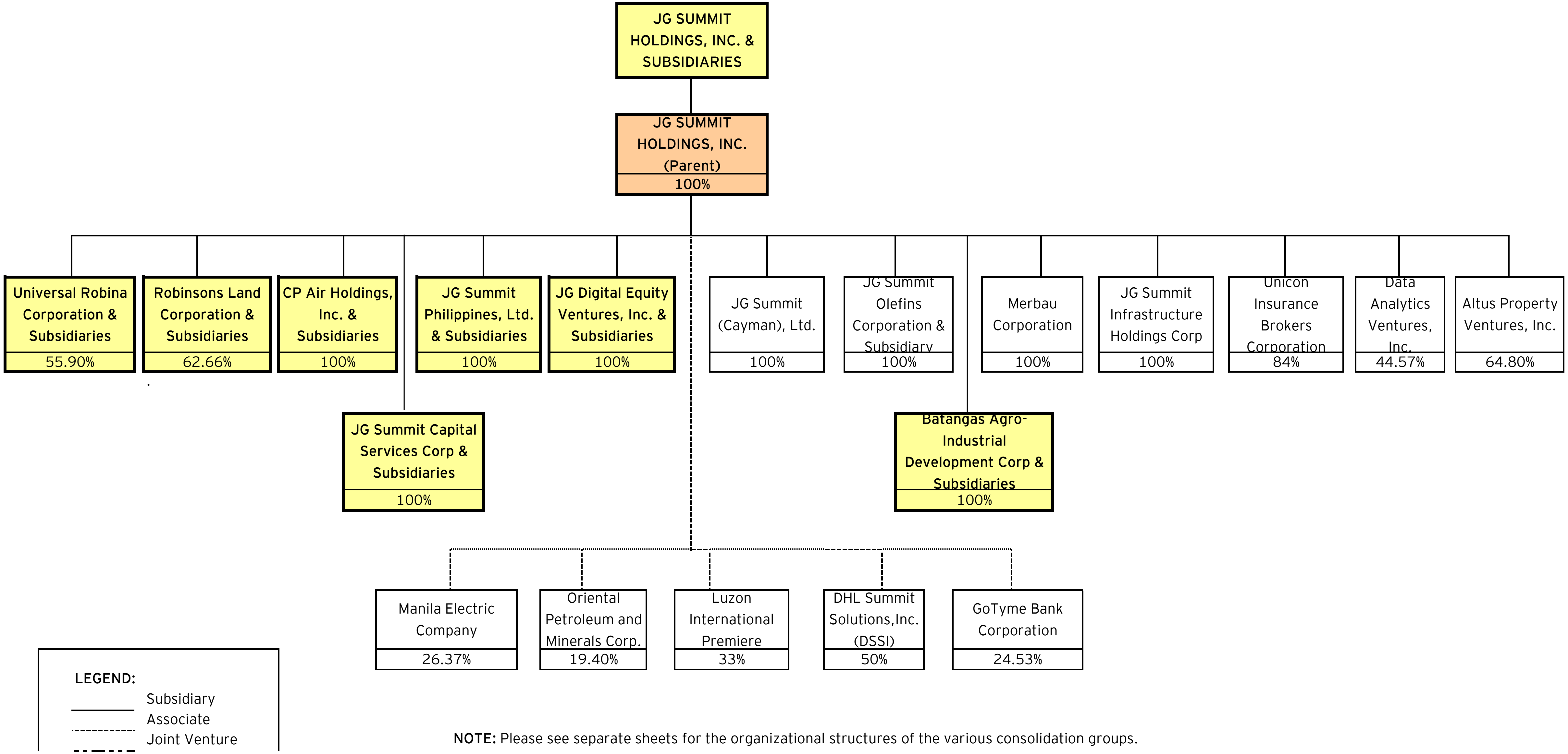
**Universal Robina Corporation and Subsidiaries**
**Schedule H - Capital Stock**
**December 31, 2022**

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding (Net of Treasury Shares) | Number of Shares Reserved for Options, Warrants, Conversions and Other Rights | Number of Shares Held by | | |
|---|---|---|---|---|---|---|
| | | | | Affiliates | Directors, Officers and Employees | Others |
| Preferred stock | | | | | | |
| - ₱1 par value | 2,000,000 | None | – | – | – | – |
| Common stock | | | | | | |
| - ₱1 par value | 2,998,000,000 | 2,178,507,618 | – | 1,217,841,260 | 3,077,211 | 957,589,147 |

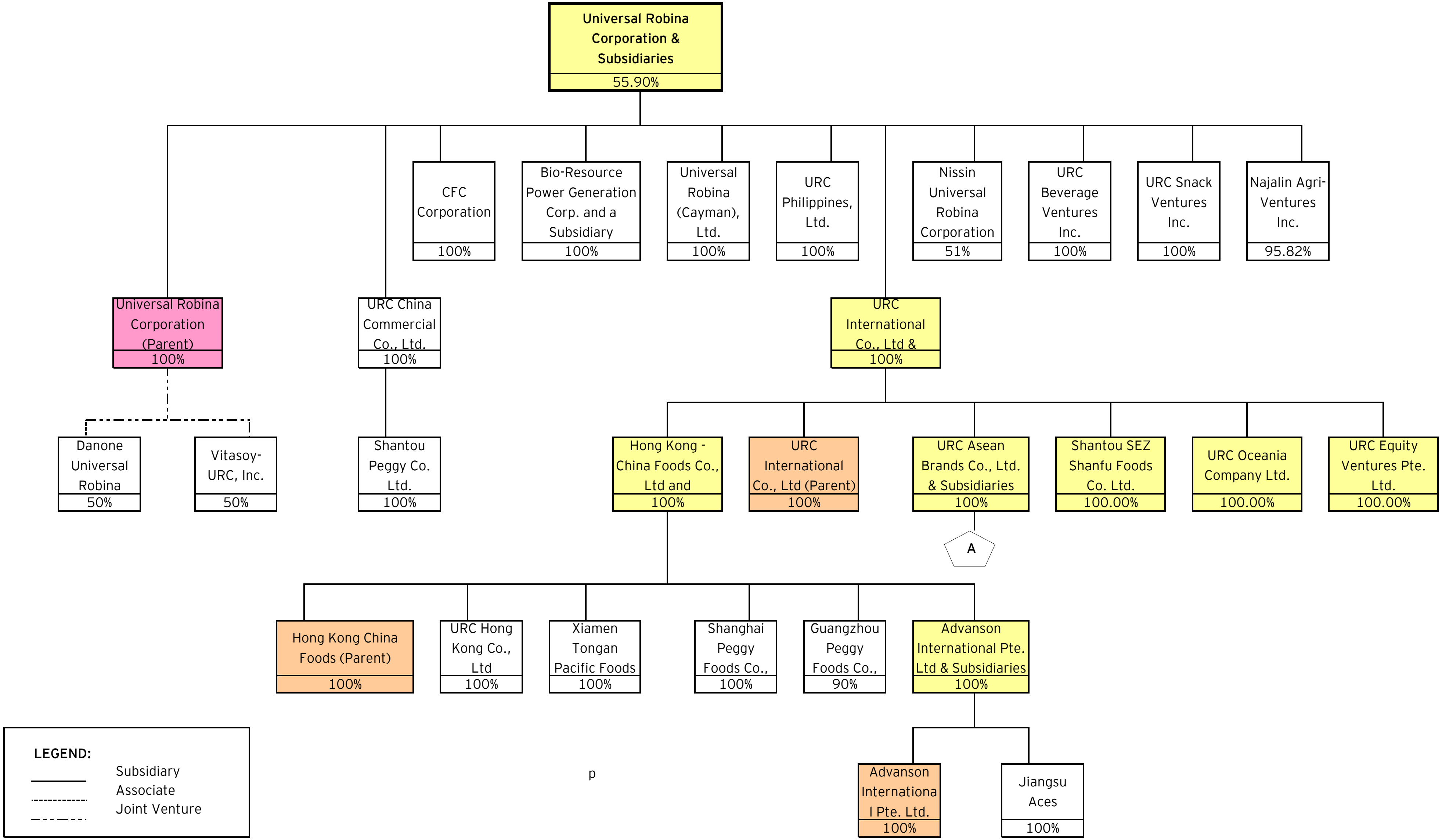
See Note 19 of the Consolidated Financial Statements.

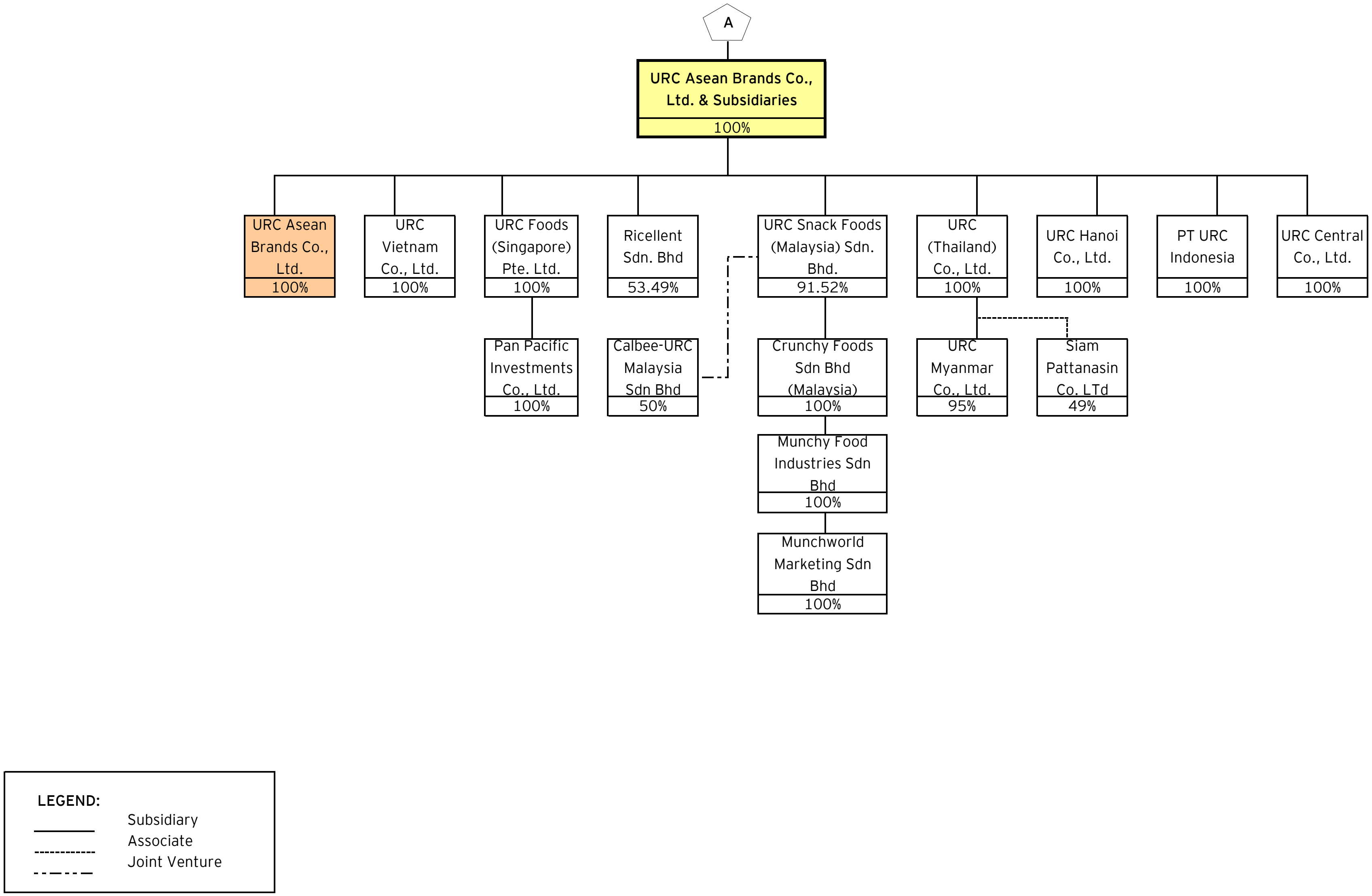
JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP




**NOTE:** Please see separate sheets for the organizational structures of the various consolidation groups.


Universal Robina Corporation & Subsidiaries
55.90%
CFC Corporation
100%
Bio-Resource Power Generation Corp. and a Subsidiary
100%
Universal Robina (Cayman), Ltd.
100%
URC Philippines, Ltd.
100%
Nissin Universal Robina Corporation
51%
URC Beverage Ventures Inc.
100%
URC Snack Ventures Inc.
100%
Najalin Agri-Ventures Inc.
95.82%
Universal Robina Corporation (Parent)
100%
URC China Commercial Co., Ltd.
100%
URC International Co., Ltd &
100%
Danone Universal Robina
50%
Vitasoy-URC, Inc.
50%
Shantou Peggy Co. Ltd.
100%
Hong Kong - China Foods Co., Ltd and
100%
URC International Co., Ltd (Parent)
100%
URC Asean Brands Co., Ltd. & Subsidiaries
100%
Shantou SEZ Shanfu Foods Co. Ltd.
100.00%
URC Oceania Company Ltd.
100.00%
URC Equity Ventures Pte. Ltd.
100.00%
A
Hong Kong China Foods (Parent)
100%
URC Hong Kong Co., Ltd
100%
Xiamen Tongan Pacific Foods
100%
Shanghai Peggy Foods Co.,
100%
Guangzhou Peggy Foods Co.,
90%
Advanson International Pte. Ltd & Subsidiaries
100%
Advanson International Pte. Ltd.
100%
Jiangsu Aces
100%
LEGEND:
Subsidiary
Associate
Joint Venture
p


A
URC Asean Brands Co., Ltd. & Subsidiaries
100%
URC Asean Brands Co., Ltd.
100%
URC Vietnam Co., Ltd.
100%
URC Foods (Singapore) Pte. Ltd.
100%
Ricellent Sdn. Bhd
53.49%
URC Snack Foods (Malaysia) Sdn. Bhd.
91.52%
URC (Thailand) Co., Ltd.
100%
URC Hanoi Co., Ltd.
100%
PT URC Indonesia
100%
URC Central Co., Ltd.
100%
Pan Pacific Investments Co., Ltd.
100%
Calbee-URC Malaysia Sdn Bhd
50%
Crunchy Foods Sdn Bhd (Malaysia)
100%
URC Myanmar Co., Ltd.
95%
Siam Pattanasin Co. LTd
49%
Munchy Food Industries Sdn Bhd
100%
Munchworld Marketing Sdn Bhd
100%
LEGEND:
Subsidiary
Associate
Joint Venture

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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**INDEPENDENT AUDITOR'S REPORT**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Universal Robina Corporation and Subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 28, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are 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. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
Tax Identification No. 241-031-088
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109950-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
PTR No. 9369777, January 3, 2023, Makati City

March 28, 2023

## UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
## SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
### AS OF DECEMBER 31, 2022 AND 2021

| Financial Ratios | Formula | 2022 | 2021 (As Restated) |
|---|---|---|---|
| Current ratio | Current assets / Current liabilities | 1.62 | 1.73 |
| Gearing ratio | Total financial debt (short-term debt, trust receipts payable and long-term debt, including current portion) / Total equity (equity holders + non-controlling interests) | 0.20 | 0.14 |
| Debt-to-equity ratio | Total liabilities (current + noncurrent) / Total equity (equity holders + non-controlling interests) | 0.47 | 0.40 |
| Asset-to-equity ratio | Total assets (current + noncurrent) / Total equity (equity holders + non-controlling interests) | 1.47 | 1.40 |
| Operating margin | Operating income / Sale of goods and services | 10.2% | 10.9% |
| Earnings per share | Net income attributable to equity holders of the Parent Company / Weighted average number of common shares | 6.39 | 10.58 |
| Interest coverage ratio | Operating income plus depreciation and amortization / Finance costs | 26.68 | 32.23 |

## UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

The table below presents the retained earnings available for dividend declaration as at December 31, 2022:

| | | |
|---|---|---|
| Unappropriated retained earnings as at December 31, 2021 | | ₱10,731,551,576 |
| Adjustments: | | |
| Fair value adjustment on financial asset at FVTPL | (489,717,766) | |
| Loss arising from changes in fair value less estimated costs to sell of swine stocks | (2,550,156) | |
| Deferred tax assets, excluding those arising from remeasurements | (271,135,050) | (763,402,972) |
| Unappropriated retained earnings, as adjusted as at December 31, 2021 | | 9,968,148,604 |
| Net income actually earned/realized during the year | | |
| Net income during the period | 11,494,150,763 | |
| Add: Fair value adjustment of financial assets at FVTPL | (70,404,256) | |
| Gain arising from changes in fair value less estimated costs to sell of swine stocks | (311,493) | |
| Movements of deferred tax assets, excluding those arising from remeasurements | (2,612,754) | 11,420,822,260 |
| Sub-total | | 21,388,970,864 |
| Less: Dividend declarations during the year | (7,559,597,488) | |
| Treasury shares | (3,652,109,120) | (11,211,706,608) |
| Total retained earnings available for dividend declaration as at December 31, 2022 | | ₱10,177,264,256 |

# SUSTAINABILITY REPORT

**Contextual Information**

| **Company Details** | |
|---|---|
| Name of Organization | Universal Robina Corporation |
| Location of Headquarters | Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila |
| Location of Operations | Philippines, China, Myanmar, Vietnam, Thailand, Malaysia, Indonesia |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | The economic section covers total URC, including Branded Consumer Foods (BCF) and Agro-Industrial and Commodities business (AIC). There are some limitations on the coverage under the environment and social section which will be mentioned in each section. As the company continues with its sustainability journey, the coverage of the disclosure will be expanded. |
| Business Model, including Primary Activities, Brands, Products, and Services | The business of URC is segmented into two groups, the Branded Consumer Foods (BCF) group and the Agro-industrial and Commodities (AIC) group.<br><br>BCF forms majority of the business segment of URC. It is composed of strong household brands from the categories of snack foods, beverage and noodles. Snack foods is further segmented into salty snacks, candies, chocolates, biscuits and cakes. Beverage is divided into powdered and ready-to-drink segments, while noodles is composed of the pouch and cup segments. URC was able to build strong regional brands over the years such as Jack 'n Jill for snack foods, C2 Cool and Clean for ready-to-drink tea, and Great Taste for coffee.<br><br>AIC is composed of the Agro-Industrial Group, Sugar & Renewables Group and the Flour & Pasta Division. The Agro-Industrial Group is the one responsible for the Farms, Animal Nutrition and Health, and the Food, Drugs and Disinfectant business segments. Sugar & Renewables produces raw sugar, refined sugar, molasses, bioethanol, power export and liquid $CO_2$. The Flour & Pasta Division produces hard and soft wheat flour for both the commercial and institutional markets, and offers flour by-product such as wheat germ, bran, and pollard. The company also sells pasta products under the El Real Brand. |
| Reporting Period | January 1, 2022 to December 31, 2022 |
| Highest Ranking Person responsible for this report | David J. Lim Jr.<br>Chief Supply Chain and Sustainability Officer |

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

**Materiality Process**

| **Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.** |
|---|
| The identification of the materiality process began when the first Sustainability Report of URC was published in 2016 with (Global Reporting Initiative) GRI-Referenced Claim. The exercise required the involvement of all relevant stakeholders and leaders in the organization in the identification of the company's most important focus areas. This involved a group-wide materiality assessment, which started with an extensive stakeholder engagement defined by the leadership team and key people in the organization, namely, international business partners, shareholders, employees, consumers/customers, suppliers, government, and local communities. This rigorous exercise gave us a perspective on how to further understand the opportunities and gaps, which helped define the five sustainability focus areas specifically, Natural Resources, People, Product, Supply Chain, and Economic Contribution. Having the well-defined focus areas gave people the north star direction on where the company should focus the resources and expertise which can yield the most social impact.<br><br>**I. IDENTIFY & ENGAGE**<br><br>**A.) BENCHMARKING:** The exercise started with an industry benchmarking process versus the company's peers in the food and beverage industry.<br><br>**B.) STAKEHOLDER ENGAGEMENT:** A series of more in-depth analysis, engagement with internal and external stakeholders via survey testing, focus group discussions with consumers, key institutional investors, regulators that the company engaged with, the nominated suppliers, the local communities where the facilities are operating, its employees, and the senior leadership team (Corporate, Philippines, and Regional) of the company, gave foundation to the material aspects.<br><br>**II. PRIORITIZE & DESIGN**<br><br>The materiality process assessed a range of issues facing the business, and the food and beverage industry as a whole. Problems were identified through the following sources: the group-wide stakeholder engagement process, industry benchmarking, external ratings and reporting frameworks, and reports from industry and multilateral organizations. In terms of scope and boundaries, the material issues have been defined from those within management control, with respect to the principles of relevance to business, business control, completeness, stakeholder inclusiveness, and materiality.<br><br>The materiality in 2016 continues to evolve, given the changes in business conditions, its alignment to United Nations' Sustainable Development Goals (SDG) as well as relevance to the key stakeholder. Below are the findings that firmed the material factors as a result of the rigorous exercise that was done with the sustainability steering committee and the inputs of its stakeholders. From the preliminary results, there were further evaluation conducted for each of the material areas to firm up the materiality or key focus areas based on the following principles: people, trust, value, and risk & opportunity.<br><br>**PHASE 1:**<br><br>**1. Natural Resources**<br><br>The natural resources materiality is based on how the company will address operational efficiency, such as the use of energy and water in the operations that will eventually free up |

| Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. |
|---|
| capital for reinvestment. This also addresses the resultant wastes in terms of production as the company further optimizes its processes and look at opportunities in embedding a circular economy.<br><br>**2. People**<br><br>The materiality towards people encompasses both internal and external stakeholders such as the employees and the community. This material area looks at the connection of the engagement with people to the success of business operations through knowledge transfer and capacity building given that they are URC's greatest asset. How the value of the business will be shaped is based on the combined efforts of the people that mold it.<br><br>**3. Products**<br><br>Product materiality combines the process of producing the product, as well as, the composition of the product itself. Safety is the number one priority of the company as it proactively aligns towards global standards ensuring the safety in its operations and products. Second, innovation has been the catalyst of URC in the last 65 years. The company leverages on its strength in product development on the emerging consumer needs in wellness and eco-designed packaging. Likewise, the company is also looking at expanding its product portfolio as competition for market differentiation toughens.<br><br>**PHASE 2:**<br><br>**4. Supply Chain**<br><br>The supply chain management materiality promotes responsible supplier relationships across the URC's business units. The stakeholders believe that the company has to further influence tier 1 to tier 2 suppliers in transforming their processes towards traceability, which is through supplier assessment, training, and policies. In 2020, the company harnessed the principles relevant to the business, business control, stakeholder inclusiveness, and materiality through the creation of the Eight Guiding Principles for Responsible Sourcing which include (1) Transparency and fairness to all stakeholders; (2) Good Governance; (3) Risk-based engagement; (4) Innovation Ecosystem; (5) Strategic partnership and programs for shared success; (6) Resource Efficiency and Circularity; (7) Safe and healthy workplace; and (8) Climate action for sustainable future.<br><br>**5. Economic Performance**<br><br>This responsibility drives the realization of the company's values towards shared success with its stakeholders. As the business grows, achieving inclusive growth with the stakeholders will be realized by the integration of sustainability in the governance and corporate strategy. The company uses the term "sustainable" intentionally in two dimensions. First, the approach should drive "sustainable, profitable growth." While businesses will have ups and downs, the company's where-to-play and how-to-win strategies must enable stable profit cash flow growth. Second, the approach should support "sustainable consumption and development."<br><br>This means embracing business practices that protect and enhance the people and natural resources. This will ensure that the business, its people, its consumer base, and the |

| Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. |
|---|
| communities where its employees live and operate will continue to thrive with a sustainable future.<br><br>**III. FEEDBACK**<br><br>The final design was presented to the sustainability steering committee of URC to get the last sign off on the identified materiality areas based on the nature of the business, vision, and long-term strategy of URC. After the approval stage from the steering committee, materiality was unveiled for the first time to the organization during the Leadership Summit of JG Summit in Q4 2017, where the top 400 leaders of the JG Summit group were present, including the senior leaders of URC.<br><br>**IV. MODIFY**<br><br>In 2019, in order to show the social impacts of the material topic, the company supplemented Phase 1 with long term commitments as a part of its responsibilities to its stakeholders. From the baselining exercise in 2018, the company was able to develop its long-term strategies, and developed Key Performance Indicators (KPIs) which were communicated by from the corporate level to plant level across its business operations in the region.<br><br>In 2020, the main priority was to accelerate the growth momentum and maintain the relevance and competitiveness of the company's brands. With that, the organization renewed the next 3-year sustainability strategies supporting Phase 1 of the Sustainability journey which focused on People, Natural Resources and Product. At the same time, the company accelerated Phase 2 by developing goals and actions to promote responsible sourcing of key ingredients such as palm oil, potato, corn, cocoa, tea and coffee beans.<br><br>There was also an alignment of the material topics with the SDG to give a more significant meaning on how the company can contribute to the society. Based on its materiality, these were carefully assessed and the KPIs with the most relevant SDG based on its indicators and KPIs were prioritized.<br><br>In 2021, URC became the first Fast Moving Consumer Goods (FMCG) supporter of Task Force on Climate-related Financial Disclosure (TCFD) in the Philippines. The company also renewed its sustainability targets based on the six (6) key focus areas such as People and Communities, Climate Action, Water, Product, Packaging and Sourcing. The commitments and refreshed targets for each focus areas will be discussed in each section under management approach.<br><br>In 2022, the company continues to refine the strategies and renew its sustainability agenda. URC consulted a leading expert in data and risk analysis that specializes in sustainability and usage of natural resources. From this engagement URC was able to determine the order of priority among material topics, providing a better view of allocating resources while also serving as a baseline for determining how the various initiatives, programs, and operational optimizations, contribute to fulfilling the responsibility for each of the identified focus areas and topics. |

| Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. |
|---|
| To further drive the strategies, achieve the commitments and strengthen the realization of these initiatives, the Sustainability Transformation Office (STO) Steering Committee was formed to lead the sustainability transformation of the company.<br><br>The STO Steering Committee is headed by the President & CEO with the following members: Chief Supply Chain and Sustainability Officer, Chief Investment Strategy and Corporate Services Officer, VP for Corporate Quality and Environment, Health & Safety (lead for Environment), Chief Human Resources Officer (lead for Social), Director for Investor Relations & Strategy (lead for Governance), and supported by the Chief Research & Development Officer and SVP for Corporate Development and External Affairs.<br><br>The Sustainability Transformation Office have two sub-units: (1) Project Management and (2) Center of Excellence (COE) and Capability Building. The members consist of cross-functional key personnel from the organization who utilizes a holistic approach in strategizing and implementing initiatives aligned with the key focus areas and material topics.<br><br>This year, the company will continuously report the Environment Social and Governance (ESG) performance using internationally recognized reporting standards and frameworks. |

## ECONOMIC

### Economic Performance

**Direct Economic Value Generated and Distributed**

| Disclosure | Quantity | Units |
|---|---|---|
| Direct economic value generated (revenue) | 153,664 | In million PHP |
| Direct economic value distributed: | 146,667 | In million PHP |
| a. Employee wages and benefits | 16,424 | In million PHP |
| b. Payments to suppliers, other operating costs | 116,754 | In million PHP |
| c. Dividends given to stockholders and interest payments to loan providers | 8,661 | In million PHP |
| d. Taxes given to government | 4,815 | In million PHP |
| e. Investments to community (e.g. donations & CSR) | 13 | In million PHP |

Note:

- Employee wages and benefits include salaries and wages, other employee benefits, pension expense, direct labor under cost of goods sold (COGS) and contracted services
- Payments to suppliers and other operating costs include cost of sales, operating expense (excluding personnel cost, direct labor under COGS, contracted services, licenses and taxes), net foreign exchange gains (losses), market valuation loss on financial assets and liabilities at fair value through profit or loss – net, other income (expense)
- Dividends given to stockholders and interest payments to loan providers include dividends paid and finance cost
- Taxes given to government include provision for income tax and payments to government (taxes and licenses)
- Investment to community include key significant community engagement initiatives, food and beverage conducted by the company within the year
- Gross revenue includes sale from goods and services, market valuation gain on fair value through profit or loss, finance revenues, forex gains and other revenues (e.g.: gain from sales of properties)

**/hat is the impact and where does it occur? What is the organization's involvement in the impact?**

**npacts:** About 95% of the company's revenue flows back to society. The remaining 6% is reinvested in e organization given that the company is on the path to growth based on URC's 5-year strategy.

**akeholders:** Shareholders, employees, regulators, consumers, communities where the company ›erates, its suppliers, and its customers.

**isks:**
ıe company recognizes risks in the following areas:

**Competition**
ıe Company and its subsidiaries face competition in all segments of its businesses both in the Philippine arket and in the international markets where it operates. The Philippine food industry in general is ghly competitive. Although the degree of competition and principal competitive factors vary among the fferent food industry segments in which the Company participates, the Company believes that the incipal competitive factors include price, product quality, brand awareness and loyalty, distribution twork, proximity of distribution outlets to customers, product variations and new product launches.

ıe Company's ability to compete effectively is due to the continuous efforts in product sales and arketing of its existing products, new products development and cost rationalization.

**Financial Market**
ıe Company has foreign exchange exposure primarily associated with fluctuations in the value of the ıilippine Peso against the U.S. dollar and other foreign currencies. Majority of the Company's revenues denominated in Pesos, while certain portion of its expenses, including debt servicing and raw material

| /hat is the impact and where does it occur? What is the organization's involvement in the impact? |
|---|
| )sts, are denominated in U.S. dollars or based on prices determined in U.S. dollars. Prudent fund anagement is employed to minimize effects of fluctuations in interest and currency rates.<br><br>**Raw Materials**<br>ne Company's production operations depend upon obtaining adequate supplies of raw materials in a nely manner. Its profitability depends on obtaining materials at a competitive pricing considering reign currency exchange rates, since a portion of the Company's raw material requirements is imported. ) mitigate these risks, multiple alternative sources of raw materials are used in the Company's )erations.<br><br>**Food Safety Concerns**<br>ne Company's business could be adversely affected by an actual or alleged contamination or terioration of its flagship products, or of similar products produced by third parties. The risk of ntamination or deterioration of its food products exists at each stage of the production cycle, including e purchase and delivery of food raw materials, the processing and packaging of food products, the )cking and delivery of the finished products to its customers, and the storage and display of finished oducts at the points of final sale.<br><br>ne Company conducts extensive research and development for new products, line extensions for isting products and for improved production, quality control and packaging, as well as customizing oducts to meet the local needs and flavors in the international markets for its food business. For its ro-industrial business, its researchers are continually exploring advancements in breeding and farming chnology. The Company regularly conducts market research and farm-testing for all of its products. oreover, the Company ensures that the products are safe for human consumption, and that the Company nforms to standards and quality measures prescribed by regulatory bodies such as Bureau of Food and rugs, Sugar Regulatory Authority, Bureau of Animal Industry, and Department of Agriculture.<br><br>**Mortalities**<br>ne Company's agro-industrial business is greatly affected by the outbreaks of various diseases. The )mpany faces the risk of outbreaks of foot and-mouth disease and African Swine Fever, which is highly ntagious and destructive to susceptible livestock such as hogs, and avian influenza or bird flu for its icken farming business. These diseases and many other types could result to mortality. Disease control easures are adopted by the Company to minimize and manage these risks.<br><br>**Intellectual Property Rights**<br>pproximately 71.9% of the Company's sale of goods and services in 2022 were from its branded nsumer foods segment. The Company has put considerable efforts to protect the portfolio's intellectual operty rights, including trademark registrations. Security measures are continuously taken to protect its tents, licenses and proprietary formulae against infringement and misappropriation.<br><br>**Weather and Catastrophe**<br>evere weather conditions may have an impact on some aspects of the Company's business such as its gar cane milling operations due to reduced availability of sugar canes. Weather conditions may also fect the Company's ability to obtain raw materials as well as the cost of those raw materials. Moreover, ilippines have experienced a number of major natural catastrophes over the years including typhoons, oughts, volcanic eruptions, and earthquakes. The Company and its subsidiaries continually maintain fficient inventory levels to neutralize any shortfall of raw materials from major suppliers whether local imported.<br><br>**Environmental Laws and Other Regulations** |

| /hat is the impact and where does it occur? What is the organization's involvement in the impact? |
|---|
| he Company is subject to numerous environmental laws and regulations relating to the protection of the ıvironment and the human health and safety, among others. The nature of the Company's operations ill continuously subjected to stringent environmental laws and regulations that may increase the costs of perating its facilities above currently projected levels and may require future capital expenditures. The ompany is continually complying with the environmental laws and regulations mandated by the epartment of Environment and Natural Resources (DENR).<br>he Company shall continue to adopt policies and controls that are financially conservative to manage the ırious business risks it faces. |

| ¡anagement Approach (Impact and Risks) |
|---|
| RC currently has mitigation plans that may affect financial risks. These include operational nprovements such as upgraded processes, regular review, and follow ups for accounts receivables, training of employees and regular audits, ensuring that third party service providers understand the ocess regarding billing, mitigating declining market value of assets, sourcing of input materials, and reign exchange risk mitigation, among many others. |

| ¡anagement Approach on Opportunities |
|---|
| RC's Economic contribution and performance are part of the company's materiality and a more ɔmprehensive approach in addressing both the risks and opportunities that associated with it is currently ɛing developed. On top of the financial risks and opportunities, URC recognizes that non-financial risks ɔuld grossly affect its bottom line, thus affecting its economic value distribution. In light of this, a more ɔmprehensive approach at consolidating and understanding these risks will be made in the short- to the id-term horizon as part of the overall sustainability strategy. |

**Climate-Related Risks and Opportunities**

| overnance, Risks, Strategy |
|---|
| **overnance:**<br><br>ɔ further drive the strategies, achieve the commitments and strengthen the realization of these initiatives, e Sustainability Transformation Office (STO) Steering Committee was formed in 2022, headed by the esident & CEO, joined by key leaders experienced in the field of Environment, Social, and Governance. he STO' vision is to drive sustainability as URC's core competitive advantage through synergizing ıvironmental, social and governance performance to enable a global sustainable business.<br><br>he Sustainability Transformation Office have two sub-units: (1) Project Management and (2) Center of xcellence (COE) and Capability Building, with cross-functional members from the organization who ilizes a holistic approach in strategizing and implementing initiatives aligned with the key focus areas ıd material topics. One of these key focus areas is on Climate Action.<br><br>The development of initiatives and programs to address the threats, impacts and risks to the business is under the project management. While COE oversees the communication to all key stakeholders and helping improve sustainability literacy in the organization through trainings and learning sessions.<br><br>limate action is embedded in the company's environmental materiality reporting wherein we ɔntinuously develop and improve the Climate mitigation and adaptation strategies.<br><br>**isks:** |

| overnance, Risks, Strategy |
| --- |
| RC is a manufacturing business that offer products varying from branded snacks and beverages, agro-dustrial, flour, sugar and renewables. The use of natural resources is a very important component on how e company creates value for the stakeholder. The rise in the global mean temperature and any other imate related risks have a substantial impact not only on the direct operations, but also within the entire pply chain. On the upstream supply chain, it may pose disruption on the procurement operations in rms of sourcing availability and raw materials quality.<br><br>n the downstream it may affect the behavior of consumers and their purchasing power. Some of the key itical raw ingredients of the business include coffee, cocoa, potato, and sugar which may be deemed as imate sensitive. This may affect not only the direct cost of the production but also the volume of the oduct produced.<br><br>RC recognizes the following key risks that impact its value chain as a result of climate impact in the llowing risk areas:<br><br>• Reputational Risk<br>• Strategic Risk<br>• Operations Risk<br>• People Risk<br>• Financial Risk<br>• Compliance Risk<br>• Emerging Risk<br><br>**rategy:**<br><br>ensure that climate action is given utmost priority across all levels in the organization, this stainability focus area is embedded in overall corporate strategy under the “People and Planet Friendly ılture”. Accordingly, the company integrated its target in efficient energy use to the supply chain ansformation strategy driven by lean manufacturing program and supply chain optimization.<br><br>s the company continue to progress with its sustainability journey, it will further develop climate itigation and adaptation strategies and related scenarios aligned with Task Force on Climate-related nancial Disclosure (TCFD) recommendations.<br><br>r the climate mitigation, the company will continuously measure its greenhouse gas (GHG) emissions, rgeting to engage with external experts to complete the Scope 3 baseline until 2024 while reviewing ope 1 & 2 emissions.<br><br>ne company will investigate how to reduce these emissions through the continuous study and evaluation energy efficiency, carbon reduction initiatives and carbon offsets. This will be further discussed under e management approach of environmental impact and resource management section.<br><br>r the climate adaptation, the company plans to initiate its climate scenario analysis in identified tspots in the next 2 years. |

| isk Management |
| --- |
| s a part of the company’s goal to build the company’s Resilience, it underwent an Enterprise Risk anagement process together with JG Summit to be able to determine the top risks which would greatly npact the business. |

| isk Management |
|---|
| dopting Committee of Sponsoring Organizations (COSO) framework principles, the company started ith identifying risks for each of the conglomerates' and subsidiaries' business drivers while integrating istainability Risks through looking at Megatrends and Sustainability Systems Maps.<br><br>nese risks were assessed based on their impact to the business and likelihood of occurrence. Those entified as Medium, High and Very High Severity Risks were further evaluated through Risk ioritization by considering the ability of the business to respond in case these risks occur.<br><br>nose identified as High and Very High Risks from the Risk Prioritization process now make up the top sks of the company. Further evaluation and review were done with the stakeholders to confirm and ilidate the results. After top risks were validated, mitigation responses were also developed for each of ese risks and being tracked for status updates. |

| etrics and Targets |
|---|
| RC's strong commitment on Climate Action is to move towards a low-carbon economy by optimizing e use of renewable energy and by using offset mechanisms to reduce impact of GHG emissions. As a mpany, it is committed to substantially improve the energy consumption in the facilities by improving ; Energy Use Ratio (EUR) to 30% by 2030, and by gearing towards achieving net zero carbon emissions 2050.<br><br>JR is the measurement of energy consumption in relation to total products produced per category. This vers all energy sources of the company.<br><br>In 2021, URC became the first Fast Moving Consumer Goods (FMCG) supporter of Task Force on Climate-related Financial Disclosure (TCFD) in the country.<br><br>It will continuously improve its approach on climate action, as it completes its Scope 1, 2, and 3 management - based on the roadmap mentioned above in the strategy section. The company will start aligning its strategies and targets based on the TCFD recommendations.<br><br>In 2022, fueled by the company's commitment towards Net Zero by 2050, agile squads and project teams were formed to conduct feasibility studies on energy efficiency and carbon reduction initiatives such as Sustainable Alternative Biofuels, Solar-at-scale, Project Jaguar, among others.<br><br>The details for these squads and project teams can be found under the Energy Management, and GHG emissions portion of this report. |

## Procurement Practices

**Proportion of Spending on Local Suppliers**

| Disclosure | Units | 2021 | 2022 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | % | 58 | 61 |

Note: Data covers BCF-PH and BCF-INT which composed of direct materials (raw material and packaging material) only

**npact, Stakeholders, and Management Approach**

**npact**: As a food and beverage business, procurement process plays a significant role within the value ain. The procurement policies have set parameters on quality, traceability, and compliance. The mpany will make sure that it involves the quality management team in the procurement process to sure safety and quality from the source. Implementing an efficient and effective procurement practices n provide timely and tangible cost improvements to the company.

**akeholders**: Suppliers, farmers, employees, shareholders, customers, and end-consumers

**anagement Approach**:

**ccreditation Policy**
e Company follows the Supplier Accreditation Policy (found in Annex 3) to ensure that the Company's ppliers and contractors meet the standard criteria on supply agreement. Suppliers and contractors dergo accreditation and orientation on Company policies.

RC follows group-wide policies on managing procurement, which is implemented through the Business pplier Accreditation Team (BUSAT), supervised by each Business Unit's Procurement team.

**uality Management across the Value Chain**
RC's passion for quality is anchored on the vision of providing its customers with brands of exceptional ality and value. Good manufacturing practices are strictly implemented in its facilities. The company's uality Management Systems are regularly assessed and aligned with international standards. Quality at e source is heavily promoted, starting with supplier partners.

e company conducts regular testing of raw materials, in-process goods, and finished products to ensure at it upholds its high-quality measures in every area of the value chain.

**ustainable Procurement**

RC commits to promote responsible sourcing of raw and packaging materials, demonstrate vironmental stewardship, and enable sustainable development of communities where the company erates.

launched the Sustainable Procurement program to revolutionize and lead the transformation towards the stainable supply chain through the integration of 7 core subjects: organizational governance, human ghts, labor practices, environment, fair operating practices, consumer issues and community volvement in developing a holistic procurement and sourcing strategy.

**hat are the Risk/s Identified?**

**urcing Risks:** As part of business continuity, the company recognizes that the risks in severe weather nditions may have an impact on some aspects of the Company's business, such as raw materials urcing that will impact the cost of goods. As a food and beverage company, URC uses significant input aterials to sustain its production. The availability of these raw materials can be affected by the changes climate, especially climate-sensitive critical raw materials such as coffee, cocoa, potato, sugar and rn.

| 'hat are the Risk/s Identified? |
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| hese changes can affect the livelihood of the farmers where the company source out its material quirements from and can result lower yield and quality of the harvest. On top of this, crisis situations ch as a pandemic, geopolitics, war, and supply chain disruptions can pose serious risks in sourcing of w materials, packaging, essential services, and spare parts.<br><br>**urrency Devaluation:** 39% of raw and packaging input materials from domestic and international isiness (excluding Myanmar, China, Hong Kong and Singapore business units) are imported. If the Peso perienced devaluation especially against the US dollar, it may impact profitability.<br><br>**reach**: The company recognizes the risk once a supplier fails to deliver their commitments in the reed-upon contract. This will potentially cause delays and production disturbances in the company.<br><br>**lanagement Approach:**<br><br>he procurement practices are aligned with the company's commitment to ensure the quality of products. he growth and experience in the last 65 years enabled the company to improve standards and technical pertise in sourcing. Through the years, the company ensures that the finest sources of materials are ilized through stringent material, supplier accreditation and supplier management. It also shares best actices in terms of sourcing amongst its strategic partners like Danone of France, Nissin of Japan and itasoy of Hong Kong, where there are synergistic opportunities and learnings.<br><br>iven that the company operates in different regions, and produces high-quality products, the input aterials are sourced both locally and abroad. For the top materials (based on spending and the number of oducts that utilizes them), the company ensures that there are three different sources from different cations for business continuity. For other materials that may have less than three alternative sources, it s established an ongoing risk management program like alternative supplier qualification and ternative site qualification to support the process.<br><br>s for the company's procurement process, the company centralizes its procurement function where gotiations are done in the headquarters to leverage scale, harmonize quality specifications, provide rporate visibility, and ensure alignment to URC's policy.<br><br>**hysical Hedging:** The company does forward contracts or physical hedging on specific raw materials at it believes will have material changes in price and/or face possible supply constraints.<br><br>**ertical Integration:** The sugar and flour milling operations in URC give the benefits in sourcing in rms of availability and quality management, especially since sugar and flour are part of the top 10 input aterials. On top of sugar and flour, it also has its own packaging company through URC Flexible ickaging.<br><br>**ipplier Management Program:** To build a stronger supplier network by establishing a robust supplier anagement process in succeeding to become preferred business partner through managing a growing pplier base effectively, supplier performance evaluations, leveraging supplier relationship management, sessing, and mitigating supplier risk.<br><br>**ipplier Accreditation:** URC's procurement and sourcing practices are managed from supplier creditation, requirement identification to sourcing, contracting, and order fulfillment. In doing so, the mpany consistently meet the needs of stakeholders by sourcing from accredited suppliers at the right ne, quality, quantity, and at the most competitive price. Specific to the food processing sector, it is also |

| /hat are the Risk/s Identified? |
| --- |
| itical that URC's raw materials and production inputs are traceable, thus ensuring that it upholds food fety standards. Proper procurement practices are also given priority to avoid any incidence of missing rgets and objectives. |

**pportunities, Stakeholders, Management Approach**

**ey opportunities in URC's strategy towards a more sustainable sourcing:**

**Influence URC's Suppliers Towards Responsible Sourcing and Traceability -** As the company cuses more on sustainable operations, it is critical for URC's raw and input materials to be traceable and sponsibly-sourced, thereby ensuring that it upholds the highest food safety standards. For example, for ılm olein, which is one of the critical raw materials, is already being sourced from Roundtable on ıstainable Palm Oil (RSPO)-certified suppliers like Cargill, Oleo Fats & Tap Oil. Moving forward, ven that Supply Chain is part of its materiality, it endeavors to influence the suppliers towards sponsible sourcing through its accreditation process-and implementation of the Responsible Sourcing licy and Supplier Code of Conduct.

**Strategic Partnerships and Programs –** The company drives its sustainable sourcing on tea, potato, d corn with its signature and significant programs. It further increases its scale across markets where e company operates as it embeds sustainability in its international business strategy ensuring inclusive owth and quality from the source.

**Partnership with Suppliers for Innovation –** The company started doing partnerships with some ppliers that will drive its competitive advantage. It believes that innovation can also be sourced from e company's partners; thus, this is an excellent opportunity to strengthen its sourcing practices further it become more hands-on and involved with the suppliers in their respective operations.

**Enhance Supplier Accreditation –** The company continues to update the supplier accreditation ocess based on best-in-class practices on the input materials. Audit and management should cover tier 1 tier 2 level of suppliers to ensure responsible sourcing.

**akeholders:** Farmers, Suppliers, Consumers, Shareholder

URC commits to the highest standards of legal, environmental, ethical and social responsibility. The company commits to promote responsible sourcing of raw and packaging materials, demonstrate environmental stewardship and enable sustainable development of communities where the company operates.

It aims to create and contribute shared success with the company's stakeholders. Towards this goal, the approach will be a collaboration with suppliers to continuously improve the sourcing activities.

By 2030, its vision is to 100% responsibly-sourced its key ingredients such as palm oil and chipping potato and 50% responsibly-sourced for coffee beans and cocoa.

URC will transform towards a sustainable value chain through its sustainable raw materials, sustainable supply chain, sustainable farming and climate protection programs.

The company will integrate responsible sourcing into the corporate sourcing strategy, business practices and Supplier Code of Conduct and leverage other sourcing functions to drive responsible

| pportunities, Stakeholders, Management Approach |
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| sourcing practices. It will conduct formal risk and materiality assessment to identify and prioritize risks and impacts in the supply chains.<br>ne company will work with suppliers that have a strong commitment to sustainability and leverage gional procurement as it continues to improve its overall supplier management. For the past three years, has promoted and built the foundation of sustainable agriculture for the stakeholders:<br><br>ligned to these commitments, URC launched the Sustainable Procurement Program in 2022 to volutionize and lead the transformation towards a Sustainable Supply Chain.<br><br>ne program aims to:<br>(1) Drive sustainable procurement within the supply chain of ONE URC with the goal of having 100% of Suppliers disclose their sustainability goals by 2030 in compliance with the Supplier Code of Conduct<br><br>(2) Promote sustainable resource use of commodities and strengthen partnership goals with suppliers targeting sustainable sourcing of 100% key ingredients<br><br>(3) Engage in community development and promote sustainable agriculture method and practices.<br><br>ne principle of Sustainable Procurement revolves around 7 core subjects: organizational governance, ıman rights, labor practices, environment, fair operating practices, consumer issues and community volvement and development. The company started the program by performing internal gap assessment ı compliance with these 7 Core Subjects of Sustainable Procurement while doing peer reviews and enchmark Analysis. It then created a set of sustainability disclosure questionnaires based on these and lled out the questionnaires together with the cascade and roll-out of the Supplier code of conduct during e company's 1st ever virtual supplier forum last August 5, 2022, which was attended by more than 270 ppliers.<br><br>uring this session, the key focus areas and priorities highlighting the role of suppliers as partners were esented towards achieving the targets especially in Climate Action and Sourcing.<br><br>November 2022, a follow-through supplier engagement session was conducted with the same audience part of the company's Sustainability Month Celebration.<br><br>t that time, invited suppliers such as Kerry, Givaudan, and Cargill were invited to share their company's st practices related to Climate Action and Responsible Sourcing. Key industry experts were also invited talk about the basics of Net Zero by 2050 Targets and Green House Gas emissions to equip the ıdience with basic knowledge and information in their GHG emissions calculations and how they can so start their climate action journey. Internal experts from URC also presented the current energy ficiency and carbon reduction programs and initiatives in the company and the sourcing initiatives and admaps.<br><br>astly, the session ended with discussions on the next steps and how to move forward with the programs.<br><br>loreover, in relation to URC's goal of responsible sourcing, the company have procured and used 30% SPO-certified palm oil in the company's operations in 2022, to ensure that highest standards and dustry practices in sourcing of palm oil and its derivatives are in place.<br><br>lso, this year, 100% of the company's chipping potatoes were sourced from GAP-certified suppliers. |

| pportunities, Stakeholders, Management Approach |
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| dditionally, AIG has been continuously using soybeans with the sustainable US Soy Seal, receiving cognition from the US Soybean Export Council as the first company to use this in Southeast Asia.<br><br>the Philippines, the company continuously help the local farmers increase their yield and scale-up oductivity by providing high quality chipping potato seeds as farm inputs to selected potato farming mmunities in Cordillera, Bukidnon, and Davao del Sur through Sustainable Potato Program.<br><br>JRE also continuously conducted baselining in its program for sustainable sugarcane farming with the gning of a Memorandum of Agreement (MOA) for a hundred (100) hectares farm land near the URC ONEDCO Sugar Mill Site in 2021, to pilot sustainable sugarcane farming. The company also continues support sugar cane farmers in Negros, Batangas, in partnership with the local government through oject Salig and corn farmers in Ilocos Sur,<br><br>urther details regarding Project Salig is discussed under Relationship with Community section.<br><br>hese programs and activities contribute to the promotion of UN Sustainable Development Goals (SDG) 9 & 11. |

## Anti-Corruption

**Training on Anti-Corruption Policies and Procedures**

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of employees to whom the organization's anticorruption policies and procedures have been communicated to[1] | 100 | % |
| ercentage of business partners to whom the organization's ti-corruption policies and procedures have been communicated to[2] | 100 | % |

Note:
[1] 100% of new employees undergo onboarding training. The Code of Business Conduct and Offenses Subject to Disciplinary Action are part of the onboarding presentation. These policies and programs are also made available online for easy access to the rest of the employees for their reference and guidance.
[2] This accounts for total suppliers to whom the Code of Business Conduct, the Code of Discipline, and related Offenses Subject to Disciplinary Actions (OSDA) have been communicated to during the onboarding and orientation processes.

Upon boarding, the board of directors (BOD) receive orientation on URC's Code of Conduct which includes anti-graft corruption policy. The Company is committed to promoting transparency and fairness to all stakeholders. The Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct and Ethics, Conflict of Interest, OSDA, among others.

The anti-corruption policies and programs are made available online for easy access to the rest of the employees in the organization for their reference and guidance. Through the facilitation of the HR team, URC will also roll-out an eModule of the Code of Business Conduct where all of the Company employees shall be asked to watch and take the exam to gauge their comprehension and retention of the Company policies and guidelines.

Last August 2022, URC launched URvoice, a digital platform where employees and stakeholders can freely and securely share their observations and concerns on adherence to company purpose, values and policies including Anti-Corruption.

A Business Conduct and Ethics E-learning Course was held last Dec. 2, 2022, and was attended by the following members of the Board of Directors:

1. Lance Y. Gokongwei
2. Johnson Robert G. Go, Jr.
3. Patrick Henry C. Go

Incidents of Corruption

| Disclosure | Quantity | Units |
|---|---|---|
| umber of incidents in which directors were removed or disciplined for rruption | 0 | # |
| umber of incidents in which employees were dismissed or disciplined for rruption | 0 | # |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 0 | # |

| npacts and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **npacts:** Corruption undermines URC's ability to equitably distribute economic value to the right akeholders. If rampant, it could erode a culture of integrity, transparency and trust that is necessary in suring collaboration between employees, innovation, and synergy between business units.<br><br>**akeholder:** Employees, Management<br><br>**isks:** The governance recognize the risk incidents of corruption such as government penalties and putational risk to URC, which in turn could result in plummeting of stock market price. |
| **lanagement Approach for Impacts and Risks** |
| nchored on JG Summit's anti-corruption program, URC is committed to promoting transparency and irness to all stakeholders. The Board sets the tone and makes a stand against corrupt practices by lopting an anti-corruption policy and program. Some of the Company's Anti-Corruption programs are nbodied in the Code of Business Conduct and Ethics, Conflict of Interest, OSDA, among others. The me are disseminated to all employees across the Company through trainings to embed them in the ompany's culture.<br><br>ew employees are oriented regarding policies and procedures related to Business Conduct and Ethics d similar policies. All employees are given periodic reminders. Further, all concerned employees are quired to comply with the Annual Self-Disclosure Activity on an annual basis, to disclose potential nflicts of interest.<br><br>ne Company also has an established suitable framework for whistleblowing and ensures its enforcement allow employees and other stakeholders to freely communicate their concerns about illegal or unethical actices without fear of retaliation, and to have direct access to an independent member of the Board or a nit created to handle whistleblowing concerns.<br><br>**onflict of Interest**<br>ne Company's Code of Business Conduct and Conflict of Interest Policy require employees to make a nscious effort to avoid conflict of interest situations such that his/her judgment and discretion is not fluenced by considerations of personal gain or benefit. A conflict of interest may also occur because of e actions, employment, or investments of an immediate family member of an employee.<br><br>**onduct of Business and Fair Dealings** |

| npacts and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| ne Company's employees that recommend, endorse, or approve the procurement or sale of goods and rvices should make a conscious effort to avoid any conflict of interest situation in transactions that they e involved in.<br><br>**eceipt of Gifts from Third Parties**<br>ne Company allows the acceptance of gifts only during the Christmas Season. There is no restriction in e value of the gift accepted. However, accepted gifts with an estimated value over PHP 2,000 must be sclosed to the Conflicts of Interest Committee.<br><br>**ompliance with Laws and Regulations**<br>ne Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies e immediately rectified.<br><br>**espect for Trade Secrets / Use of Non-Public Information**<br>ne Company has policies that ensure proper and authorized disclosure of confidential information. isclosures to the public can only be done after disclosure to the SEC and PSE by the Company's ithorized officers.<br><br>**se of Company Funds, Assets, and Information**<br>nployees are required to safeguard Company resources and assets with honesty and integrity. nployees must ensure that these assets are efficiently, effectively, and responsibly utilized.<br><br>**mployment and Labor Laws and Policies**<br>ne Company's Human Resources Unit ensures compliance with employment and labor laws and licies.<br><br>**isciplinary Actions**<br>iolation of any provision of the Code of Business Conduct may result to disciplinary action, including smissal and reimbursement for any loss to the Company that result from the employee's action. If propriate, a violation may result in legal action against the employee or referral to the appropriate vernment authorities.<br><br>**histle Blower**<br>ny employee may discuss or disclose in writing any concern on potential violation of the Code of usiness Conduct with the Conflicts of Interest Committee (CICOM). Reports or disclosures can be made writing or by e-mail. All information received in connection with the reports or disclosures shall be rictly confidential and shall not be disclosed to any person without prior consent of CICOM.<br><br>**onflict Resolution**<br>ne CICOM submits recommendations on courses of action to be taken on conflicts of interest situations. ecision is done by the Executive Committee. Integral to URC Purpose, Values, and Ambition (PVA), hich employs a four-pronged approach to cultivating trust within the organization, the Open-Door licy is a management commitment to leave the proverbial door open to all employees and cultivate ust across all levels in the chain of command. |
| **pportunities & Management Approach** |
| RC sees an opportunity in developing platforms where updates in anti-corruption policies can be scaded internally, through retraining and numerous communication channels. There is also an pportunity to evaluate the effectiveness of the policies covering anti-corruption, especially the channels rough which complaints may be filed. |

## ENVIRONMENT

### Resource Management

**Energy Consumption within the Organization**

| Disclosure | Units | 2021 | 2022 |
|---|---|---|---|
| nergy consumption (enewable sources)[1] | GJ | 890,013 | 1,414,399 |
| nergy consumption (lectricity from non-renewable) | GJ | 1,459,621 | 948,192 |
| nergy consumption (Fossil fuel)[2] | GJ | 4,397,320 | 4,754,917 |
| nergy consumption (Total) | GJ | 6,746,954 | 7,117,508 |

Note:
Data covers information of total URC (BCF-PH, BCF-INT, Flour, SURE, AIG, head offices, and external distribution centers in the Philippines)
[1] Renewable sources include power generated from solar, biomass/biogas owned facilities, and electricity purchased from the renewable energy suppliers
[2] Includes fossil fuel used from operations and company-owned vehicles

**npact, Stakeholders, and Management Approach**

**npact:**
igh energy consumption can affect the cost to produce on a per-unit basis, thereby impacting the mpany's margins.

missions from non-renewable energy sources can negatively impact communities where the company perates if it does not treat the quality of emissions or reduce its dependency on non-renewable sources.

**akeholders:** Communities where the company operates and its employees

**anagement Approach:**

s a company, it is committed to substantially improve its energy consumption in its facilities by nproving Energy Use Ratio (EUR) by 30% by 2030. EUR is the measurement of energy consumption in lation to total products produced per category. This covers all energy sources of the company.

o drive this commitment, URC continuously implements LEAN Manufacturing methodology under the ipply Chain Transformation strategy which aims to lower production downtime, reduce waste, inimize GHG emissions, and optimize the use of natural resources. The Lean Manufacturing program is irrently being implemented and replicated across the operations under the Branded Foods Business.

2022 thru the Sustainability Transformation Office, agile squads and project teams were formed to nduct feasibility studies and continuously implement energy efficiency programs.

**oject Jaguar**

oject JAGUAR (Journey in Achieving Sustainability Goals thru Utilities and Assets Renewal) which as implemented in 14 BCF PH Plants with an investment of PHP 868M. This covers the improvement major plant utility equipment like boilers, air handling units, and compressors. The project will

**npact, Stakeholders, and Management Approach**

enerate up to PHP 322M savings per year while improving energy efficiency. Project JAGUAR is pected to reduce the energy use ratio of these plants by 14%.

**olar Rooftop installation in URC sites**

uided by the vision to delight the company's consumers by food products that is manufactured in clean d renewable energy source, the solar-at-scale initiative spearheaded the expansion of solar rooftop stallations across BCF-Philippine sites.
hrough this initiative, 3,500 kwp solar rooftop was installed in URC Calamba in addition to the existing 00kWp solar rooftop in URC Canlubang, which resulted to Php 2.2 million in savings.

ternationally, URC Thailand has installed 6,000 kWp Solar rooftop, while URC Vietnam has installed 000 kWp solar rooftop installation.

hrough this project, 40,906 GJ of energy consumption comes from solar energy.

**ustainable Alternative Biofuels**

URC launched the Biomass squad in 2022 to conduct a feasibility study on alternative Biofuels for boilers which are eco-friendly, cost efficient, sustainable, and compliant to regulatory requirements.

**The primary objectives and key results of this initiative are:**

1. To identify at least 3 sustainable types of Biofuel that are cost efficient with sustainable supply
2. To reduce greenhouse gas emissions
3. To generate cost savings through utilization of biomass waste materials as biofuels

At the end of the agile sprint, the squad working on the project successfully conducted plant trials of Palm Kernel Shell in 3 BCF Sites – NURC, Cavite and Canlubang, with intensive monitoring of critical parameters such as kilogram fuel per kilogram of steam produced, and boiler efficiencies. Emission tests were also conducted on the boilers using palm kernel shells and results showed that all parameters such as, Particulate Matter (PM), Sulfur Dioxide (SOx), Nitrogen Dioxides (NOx), and Carbon Monoxides (CO) have consistently passed. The boiler efficiencies were also observed to have improved compared to using coal as fuel. A 30 tonnes per hour biomass feeding system was also installed with the investment of Php3.5Million pesos to specific boilers.

Part of the study conducted by the squad were the identification of necessary permits and application process to regulatory bodies in preparation for fuel shifts from coal to biomass.
Through a series of plant trials and utilization of biomass produced from BCF PH sites as fuel to the boilers, cost avoidance from cost hauling of biomass amounting to Php12 million were satisfied

Moving forward, the squad will continue to work on the sourcing of other potential biomass suppliers locally and internationally to ensure the sustainability of supply while exploring partnerships with the academe, local communities, government agencies for self-sustaining supply and utilization of locally available biomass wastes as biofuels.

Lastly, the squad is also looking at other biomass types can be used alternative fuels to boilers that would also lessen carbon emissions.

| npact, Stakeholders, and Management Approach |
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| **tilization of Biomass & Biogas**<br><br>In 2022, by returning the process-discarded materials as feedstocks to boilers, as in the case of bagasse in Sugar and Renewables (SURE) plants, the company diverts these materials away from the landfill and utilize them to produce a new source of energy.<br><br>For BCFG plants, spent tea leaves are being used as alternative feedstocks for boiler electricity generators. Biomass, on the other hand, are discarded animal wastes.<br><br>Through this initiative, 679,593 GJ of energy consumption comes from biomass & biogas.<br><br>**Purchased Electricity from Renewable Energy Sources**<br><br>Boosting the company's transition to renewable energy sources, the company has signed agreements with various renewable energy suppliers to supply more than 20 of the local facilities with geothermal, solar, and hydro energy until 2025.<br><br>Through this initiative, 693,899 GJ of electricity consumed in 2022 comes from Renewable Sources which constitutes 42% of total purchased electricity. |

| isks, Stakeholders, and Management Approach on Risks |
|---|
| **Risks:**<br>The company recognizes the risks to energy security due to increased competing demands from energy intensive sectors, including domestic consumption. The company also recognizes that energy generation from traditional sources can create a negative impact to air quality, health, and contribute to climate change. Overdependence on fossil fuels also exposes the country to fluctuations in energy prices, which has financial implications to the business.<br><br>**Physical Risks**<br>**Climate Risks to Direct Operations:** URC's home market, the Philippines, has experienced several major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions, and earthquakes that have a direct impact on the entire supply chain operations. On the human resource side, it recognizes risks involving problems in working conditions such as health-related concerns that will affect workplace safety.<br><br>**Regulatory Risks**<br>The company recognizes regulatory risks since URC is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety, among others, as a manufacturing company.<br><br>Fuel and electricity are significant input materials for a manufacturing plant. Specifically, in URC, the company uses different types of fuel to generate energy, such as diesel, bunker, liquified petroleum gas (LPG), coal, electricity, compressed natural gas (CNG), Liquefied natural gas (LNG). Total consumption per energy source is reported to the Department of Energy. |

| isks, Stakeholders, and Management Approach on Risks |
|---|
| URC acknowledges the presence of regulatory risks in all markets where the company operates, and how this can affect operations. Compliance is always followed in the handling, storage, use and disposal of these fuels.<br><br>**Capital Market Risks**<br>As investors are becoming more conscious in responsible investing, sustainability has become a critical value driver aside from financials, with climate becoming a more common parameter in their negative screening process. URC's investors have started to request more action towards climate risk as they demand a more deliberate climate action strategy, actionable plans, progress, and transparency.<br><br>**Market Risks due to Price Competitiveness**<br>Higher energy can affect cost to produce which will give less room to manage prices if there's a significant inflation in the input materials.<br><br>**Stakeholders:** Communities where the company operates, its Employees, Local Government Units, Regulatory Agencies<br><br>The company contributes a positive impact on the world's natural resources by transforming the operations, ensuring it conserves water, reduces its GHG emissions, and optimizes its energy use.<br><br>**Management approach:**<br><br>**Leadership Transformation -** As the company becomes a premier snack food and beverage company today and, in the future, it believes in transforming its leadership with sustainability as one of their crucial agenda is imperative to drive both strategy and initiatives based on the commitments. KPIs, demonstrated behavior, mindset to invest, operational routines, and accountability are areas of leadership where sustainability must be embedded. Leadership should also align with total URC 2030 commitments to ensure cohesiveness across business divisions and markets.<br><br>Lastly, the company believes that the sustainability mindset is driven by having a cultivation paradigm in pursuit of new business and operating models that are planet friendly.<br><br>**Culture Transformation -** One of the key agendas of URC's Chairman, and President and CEO is having a culture of sustainability; therefore, it is important to drive programs organically especially with the formation of the Sustainability Transformation Office.<br><br>The company believes that it has to embed accountability so that URC becomes a workplace where everyone contributes to conserving energy and water through constant innovation. It encourages sharing of ideas across the organization, and letting its employees flourish and succeed through its engagement programs. The champions will continue to push communication and learning through strategic communications in order to fully equip the organization to develop ideas in line with sustainability.<br><br>**Systems –** The company believes technology is a strong enabler in achieving environmental commitments, primarily the responsibility towards climate action. The integrated management systems and infrastructure upgrades are the first steps towards more planet-friendly operations. It is prepared to invest in assets that will further drive energy and water conservation use in line with the commitments to the United Nations' Sustainable Development Goals in Climate and Water. |

| isks, Stakeholders, and Management Approach on Risks |
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| These investments will also drive significant cost savings in the business as another positive outcome of the drive towards sustainability. The company wants to capitalize on Industry 4.0 moving forward, which will serve as a great enabler in achieving the company's strategy towards the environment and climate action.<br>**Compliance -** URC's full compliance with environmental laws and regulations is imperative to achieve business continuity. Full ecological compliance is evaluated based on applicable national and local laws and regulations as required by the DENR, Energy Regulatory Commission (ERC), Department of Energy (DOE), Municipal Environment and Natural Resources Office (MENRO) and other pertinent government agencies. In the process of ensuring environmental compliance,<br><br>URC identifies all applicable regulatory requirements; determines and assesses the gaps, identify the permits and licenses needed per facility; establishes the relevant guidelines; develops and implements action plans and provides the required infrastructure and other resources to fulfill the permit conditions and requirements of all government agencies. It is the responsibility of all URC BUs to comply with applicable environmental laws and regulations.<br><br>This is also managed at the JG Summit Holdings level under the Government Affairs, Legal, and Corporate Governance departments. In managing environmental compliance, evaluation is done through audits by both internal and external auditors.<br><br>**ESG Integration in Corporate Strategy:** The integration of ESG are becoming relevant in their investment decisions. Having an active ESG program makes URC less exposed to all risks mentioned above.<br><br>**Stakeholder Engagement:** URC's Investor Relations Group is proactively responsible for communicating with stakeholders in this area, like institutional investors, brokers, and investor relations officers are engaging key rating agencies. This IR team is also equipped with strong capabilities to regularly engage investors on ESG regarding the strategy while they also respond annually to sustainability raters. Additionally, there is also the JG Summit – Corporate Affairs group supporting URC by engaging stakeholders like government, regulators, communities, and the media.<br><br>URC has set up the Corporate Development and External Affairs unit to provide support in the management of company's reputation and relations activities for the business. |

| pportunities and Management Approach |
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| **Opportunities:**<br><br>**Operating Efficiencies**<br>As the threat of climate change increases, companies like URC are looking for opportunities to increase the efficiency of existing processes and cultivate the growth in renewable resource practices within the system.<br><br>**Technology**<br>The rise of Industry 4.0 across the world has demonstrated efficiencies in different industries. This is seen as a great opportunity to save in both financial and natural resources as well as improve operating efficiency. Installation of sensors will give operations a more agile approach in addressing problems quickly as well as effectively measure what can be improved.<br><br>**Management Approach:** |

| pportunities and Management Approach |
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| **Lean Mindset**<br>The company continues to implement the "LEAN mindset" across the facilities. The use of LEAN mindset enabled savings piloted in Calamba and replicated in other plants. Some examples would be improvements in utilities usage in both water and energy. The LEAN mindset enabled the organization to be more responsive towards addressing issues raised by operations, who are now enabled by upskilling of appropriate capabilities via training and education, immersion on the job and use of available analytical tools and techniques.<br><br>**Renewable Sources**<br><br>RC sees great opportunity in utilizing renewable sources of energy available in the sites. The stainable energy utilization initiatives reduce URC's reliance on fossil fuels and purchased electricity utilizing readily available materials in the plants, such as bagasse, biomass, and solar power.<br><br>URC has invested resources to upgrade the plants by making them adaptive to renewable sources of energy. The company put up bagasse-fed boilers, biomass digesters, and solar panel systems; thus, making the process self-sustaining in terms of energy use.<br><br>Moving forward, the agile squads mobilized in 2022 will continuously conduct feasibility studies, trials and implementation plans to increase utilization from renewable sources and explore other green fuel technologies and sustainable technologies to reduce coal consumption.<br><br>URC long term goal is to have all the plants utilize electricity from 100% renewable energy by 2025. This year, the company's total renewable energy accounts for almost 60% of total electricity consumption.<br><br>The energy initiatives of the company mentioned above contributes positively to the SDG2s 7,9,&13. |

**Water Consumption within the Organization**

| Disclosure | Units | 2021 | 2022 |
| --- | --- | --- | --- |
| ater withdrawal[1] | Cubic meters | 19,350,717 | 17,909,980 |
| ater consumption[2] | Cubic meters | 14,081,714 | 12,719,238 |
| ater recycled and reused[3] | Cubic meters | 866,792 | 707,810 |

Note:
Data covers information of total URC (BCF-PH, BCF-INT, Flour, SURE, AIG, head offices, and external distribution centers in the Philippines)
[1] Water withdrawal is the volume of water extracted from third party water, ground water, surface water and sea water
[2] Water consumption is computed as difference between water withdrawal vs water discharge
[3] Water recycled and re-used is the volume of water from wastewater and rainwater recovery

| npact, Stakeholders and Management Approach |
| --- |
| **Impact:** As a food and beverage company, it utilizes water at every stage of the value creation process. It understands the importance of efficient water management, given that water use affects operational cost, the stability of water supply, compliance with government standards, and overall business continuity.<br><br>**Stakeholders:** The employees, the communities where the company operates, regulatory, and local government units<br><br>**Management Approach:**<br><br>URC's commitment to sustainability means that water is used responsibly and the company safeguards its resources. As a company, URC strongly commits to substantially use water efficiently in the its facilities by reducing Water Use Ratio (WUR) target by 30% in 2030 vs 2020 baseline data.<br>WUR is the measurement of water consumption in relation to total products produced per category. This metric covers both internal sources (deep wells) and external sources.<br>The company continuously monitors its surface water and groundwater abstraction based on the limits provided by the National Water Resources Board (NWRB). It withdraws water from different sources and adhere to the maximum allowable extraction rate.<br><br>URC utilizes a mix source of water, from groundwater through deep wells, surface water, and municipal water. Notably, URC SURE reduces its water consumption by using recycled water in its operation through its closed-loop system project.<br><br>**Against the 2020 baseline data, the company has approximately improved water use ratio by 27%.**<br><br>The company was able to achieve this through water conservation initiatives. Additional actions around process improvements have significantly improved water usage like utilizing recycled water, eliminating wastage, optimizing water intensive cleaning activities, reducing frequent changeovers, to name a few. Leak detection and correction was a major undertaking since 2019. The results from the water mapping activity guided the plants in the deployment prioritization of actions for improvement.<br><br>In URC, the company has installed rainwater harvesting units as an alternative source of water. In 2022, more than 260,000 liters of rainwater was used for basic utility cleaning.<br><br>In Agro-Industrial Commodities (AIC) Group, six (6) sites have already implemented rainwater harvesting projects: UCP Pasig, Flour Davao, Flour Pasig, CARSUMCO, URSUMCO and SONEDCO.<br><br>The company has also encouraged the use of water efficient fixtures, and installation of level controllers and automatic shut off valves for feed water tanks to optimize water use. In SURE plants, such as Passi, URSUMCO, CARSUMCO and SONEDCO, treated wastewater is being recycled to its spray pond and wet scrubbers to reduce water wastage.<br><br>UCP Pasig is also implementing a condensate recovery system to return condensate and use as boiler feed for water pre-heating. Flour plants have also initiated improvement projects, such as automation of tanks pumps and rehabilitation of plant water systems.<br><br>Across BCF-PH sites, initiatives such as standardized dry cleaning in selected lines, leak corrections and wastewater reuse contributed to the reduction of water consumption. |

**npact, Stakeholders and Management Approach**

All these and more has led to the significant improvement in water use ratio versus previous years' performance.

**hat are the Risk/s and Opportunities Identified?**

**Risks:**

URC highlights the value of water as vital to the business and it recognizes that water shortages may cause significant risks across the value chain, both directly and indirectly. The direct risk is easily seen with the impact of drought where insufficient water supply can interrupt the day-to-day operations and worse, can stop the company from manufacturing the products.

The company's business faces indirect risks as well, starting with significant adverse economic impacts. With prolonged drought and declining water resources, it will face an increase in cost to procure water from alternative sources, and potentially, the regulatory body might put some limitations and restrictions to water extraction from deep wells.
Similarly, the company recognized supply chain risks on its input materials that are water intensive. Therefore, there is a need to carefully assess its business partners and ensure that they have reliable access to water supply that allows them to operate as well.

To address the risk in water availability, the company recognizes the need to conduct Source Water Protection Plan based on the result of source vulnerability assessment (SVA).

**Management Approach:**

**Practice of 3Rs (Reduce, Reuse, and Recycle)**

As a company, it recognizes that water is a non-renewable resource, and that it is an essential input material in the production of products. In URC, its practices the principle of the three Rs: Reduce, Reuse, and Recycle. Implementation of the three Rs is based on the need or requirement of the plant. An assessment is being done by comparing the actual versus the general water usage of each product category or plant. The company sets its priorities given to product categories or plants with high water usage.

ne company reduces water usage by detecting and correcting the leaks in the pipelines, eliminating astages from the production, improving the efficiency of water treatment facilities and by utilizing inwater harvesting system. The company Reuse its water in the daily activities such as for cleaning of llets, watering the greenery and for toilet- flushing. The company Recycle its water by using non-virgin ater in initial washing of some of the critical raw materials in snacks, such as unpeeled potato, which is nsidered one of the most water intensive activities in the value chain and by utilizing of waste water fluent for top up water for cooling towers.

**Lean Mindset:**

The company continues to implement the "LEAN mindset" across the facilities. The use of LEAN mindset enabled savings piloted in Calamba and replicated in other plants. Some examples would be improvements in utilities usage in both water and energy. The LEAN mindset enabled the organization to be more accountable and responsive towards addressing issues raised by operations, who are now enabled by the upskilling of appropriate capabilities via education and training, immersion on the job and use of available analytical tools and techniques.

**Opportunities:**

| /hat are the Risk/s and Opportunities Identified? |
|---|
| Geared towards improving WUR by 30% by 2030 vs baseline 2020 data, the company has an opportunity to optimize its water usage by adapting innovative methods in the production that would utilize less water. Consequently, the company continues to identify and adapt best available technologies and process improvements that drives the increase of the use of recycled water versus the virgin water. The company will expand and replicate successful practices in water conservation programs (e.g.: Rainwater harvesting, effluent water re-use, installation of waterless cooling pumps, automated water tank valves, shift to high water efficiency fixtures and equipment).<br><br>Subsequently, the company is exploring protecting and rehabilitating the country's watersheds to drive sustainable water resource and promote responsible water use, **biodiversity and ecosystems protection** and mitigate **climate-related risks**<br><br>**These initiatives and programs contribute positively to UN SDGs 6 and 15.** |

**Materials used by the Organization**

| Disclosure | Units | 2021 | 2022 |
|---|---|---|---|
| Materials used by weight or volume | | | |
| • Renewable[1] | Tonnes | 2,127,573 | 1,981,125 |
| • Non-Renewable[2] | Tonnes | 600 | 689 |
| Percentage of recycled input materials used to manufacture the organization's primary products and services[3] | % | 5.96 | 3.00 |

Note:
Data covers information of total URC (BCF-PH, BCF-INT, Flour, SURE, AIG, and external distribution centers in the Philippines)
[1] Renewable are waste materials used as alternative fuel to generate own energy. Data include coffee spent ground, spent tea leaves, bagasse, spent wash, molasses, chicken manure, and pit dung
[2] Non-renewable are waste materials re-used or recycled for other purposes other than conversion to energy. Data includes re-grind PET bottles reused to mix with virgin resin for bottle making of BCF-PH.
[3] Percentage of recycled input materials is computed as the amount of re-grind PET used as feedstock divided by the total input materials (virgin resin + re-grind PET).

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:** Effective use of these materials reduces both costs and GHG emissions created in production. This impacts direct operations like production waste which goes to landfills.<br><br>**Stakeholder:** Employees, government, suppliers and communities<br><br>**Risks:** As a company, it acknowledges that the risk of over extracting limited natural resources to set up more facilities or producing primary products is possible through the unchecked use of non-renewable resources. |
| **Management Approach for Impact and Risks** |
| URC focuses on finding solutions that lead to seamless and efficient operations. The responsible use of natural resources — intrinsic to the business — entails that the company minimizes its environmental impact and optimize synergies where possible, whether in the careful sourcing of raw materials from select suppliers, or in the proper use, reuse, or disposal of these same materials and the material by-products generated from the operations. |

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| **Upcycling**: URC's commitment to quality usually entails rejecting packaging materials that do not pass inspection, however small the blemish or dent. Added to which, scrap plastics remain after the materials have been cut and folded or shaped into the desired packaging. Rather than dispose of these materials in a landfill, URC has found ways to reincorporate them into new products. For one, URC's industrial scrap polyethylene terephthalate (PET) material – including bottle rejects – is grounded into PET flakes and mixed with virgin PET resin to create new containers. The company only upcycles materials within the system to ensure that the products are clean and do not impose a threat towards safety and quality.<br><br>The company intensified its efforts to convert waste to energy of laminates through co-processing and production of Refuse Derived Fuel in partnership with cement plants. |
| **Opportunities & Management Approach** |
| There are opportunities to increase the use of recycled materials that URC can take advantage of by ensuring that the company keeps abreast of the latest information and applying them across business units when ready. PET is currently recyclable; it can look for ways to recycle other packaging materials such as films by converting multi-layer films into mono materials. |

**Ecosystems and Biodiversity (whether in upland/watershed or coastal/marine)**

| Disclosure | Quantity | Units | Boundaries |
|---|---|---|---|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 12.548 | Ha | Across URC operations, only Davao Flour Mill located in Km 10 Sasa, Buhangin District, Davao City, Davao del Sur is adjacent to a key biodiversity area listed by DENR-Biodiversity Management Bureau.<br><br>Davao Gulf situated in the southeastern part of Mindanao is one of the priority conservation areas of the Sulu-Sulawesi Marine Ecoregion. It is a breeding and nursery ground for small and large species, with frequent sightings of whale sharks, dugongs and leatherback turtles, among the list of species cited in the Convention on the International Trade of Endangered Species (Source: World Wildlife Fund) |
| Habitats protected or restored | 5,900 | Seedlings | URC-wide tree planting and nurturing activities were conducted across different sites identified to be with high biodiversity value. |
| IUCN Red List species and national conservation list species with habitats in areas affected by operations | 0 | # | The company has no operations affecting the habitats of species listed in IUCN Red list species and national conservation list species. |

Note: Data covers information of total URC (BCF-PH, BCF-INT, Flour, SURE, AIG, head offices, and external distribution centers in the Philippines)

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:** Every component of the day-to-day operations interact with the environment such as the extraction of water and raw materials, usage of electricity, effluent discharges, generation of waste, and air emissions. These can potentially impact (directly and indirectly) the biodiversity and ecosystem of the areas including the boundaries where the businesses are located.<br>If these environmental aspects were not managed effectively, it might lead to adverse impacts such as water, air and land-based pollution, contribution to climate change, and scarcity of food and material.<br><br>**Stakeholder:** Employees, Local Communities, local government units (LGUs), and DENR<br><br>**Risks:** URC recognizes that changes in the biodiversity and ecosystems can pose significant threats to the flora, fauna and the people which might result in notable risks such as habitat loss, displacement of species, coral bleaching, and development of diseases in the local communities due to disturbances in the ecosystem. This might also affect business operations in various ways where day-to-day activities might be delayed and halted. |
| **Management Approach for Impact and Risks** |
| URC acknowledges that the business has an impact on the biodiversity and surrounding ecosystem. Therefore, it is the company's responsibility to comply with all the environmental laws to ensure that employees, surrounding communities, and the environment, are not exposed to any unnecessary amount of hazard due to the business operations. In addition, it is the company's corporate social responsibility to conduct programs and activities that support conservation efforts, biodiversity preservation, and ecosystems protection.<br>To strengthen the company's commitment in safeguarding natural resources, URC conducts company-wide environmental stewardship initiatives such as reforestation programs, coastal, river, and drainage clean-up drives, and mangrove planting activities.<br><br>In celebration of the 2022 Philippine Environment Month, URC conducted simultaneous tree-planting activities in 25 areas nationwide. Under the theme "Protect Nature, Sustain Our Future," this activity aims to promote the relevance of environmental awareness and protection, reinforce values of environmental stewardship and planet-friendly culture, and capitalize on people engagement to promote environmental compliance and best practices.<br><br>A total of 5,900 seedlings was planted during this celebration in partnership with LGU and DENR Municipal Environment and Natural Resource Office (MENRO) / Community Environment and Natural Resources Office (CENRO)<br><br>Assuming that all these seedlings grow and mature, an estimated 147 tons of $CO_2$ can be sequestered annually. Of course, the sequestration rate will depend on a lot of factors like the age of trees, type of trees, number of trees per hectare, spacing between trees, and other factors.<br><br>In support to the Expanded National Greening Program (NGP) stated in Executive Order 193, SURE URSUMCO and PASSI have signed MOA with DENR CENRO to Adopt-a-Forest of 3 Ha in Tanglad, Manjuyod, Negros Oriental and 5 Ha in San Enrique, Iloilo. This partnership will rehabilitate the forest/watershed identified by DENR through establishment of seedling and plantation nursery as well as conducting maintenance and protection activities in 3 years. In addition, back-to-back coastal |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
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| and river cleanup drives were also conducted by SURE and Flour while BCF ESMO conducted an adopt-a-creek program in partnership with their respective LGUs and MENRO/CENRO.<br><br>As part of URC sustainability promise, the company plans to expand its adopt-a-watershed project by protecting nearby watersheds and forests near sites where URC operates contributing positively to SDGs 12 and 15. |
| **Opportunities & Management Approach** |
| URC recognizes that there is a need to integrate biodiversity and ecosystems management into business policies, strategies, and operational processes. In addition, there is still a need to expand the company's conservation efforts and improve the programs and activities that promote biodiversity and ecosystems protection. These will raise awareness among the employees through shared activities to protect the ecosystems. There is also the chance to build a strong relationship and camaraderie with the local communities, government agencies, and LGUs. |

## Environmental Impact Management

**GHG**

| Disclosure | Units | 2021 | 2022 |
|---|---|---|---|
| Direct (Scope 1) GHG Emissions | Tonnes CO2e | 294,674 | 318,327 |
| Energy indirect (Scope 2) GHG Emissions | Tonnes CO2e | 260,642 | 293,091 |
| Emissions of ozone-depleting substances (ODS)[1] | Tonnes | 26.69 | 23.48 |

Note:
- GHG Emissions covers information of total URC (BCF-PH, BCF-INT, Flour, SURE, AIG, head offices, and external distribution centers in the Philippines) while ODS data covers BCF-PH only
- GHG Protocol requires that $CO_2$ emissions from biomass are tracked separately from fossil $CO_2$ emissions. Thus, Biomass $CO_2$ emissions are not included in the overall $CO_2$-equivalent emissions inventory.

[1] The refrigerants consumed by the plants includes R22 / Freon, R134a, R404, R407, R410, R507, R141B, R417, R32. R22 will be phased out consistent with the phase-out schedule set by DENR Administrative Order (DAO) 2013-25.

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:** URC's air emissions are related to energy consumption. GHG emissions from the operations contribute to the overall amount of greenhouse gases sourced from anthropogenic activities, which is the single most significant driver of climate change. URC recognizes GHG emissions as part of the materiality, and this will have a positive impact to the organization and the environment, resulting not only in regulatory compliance but also reduced carbon footprint, lower production cost, and significant savings on operational expenditures (OPEX).<br><br>**Stakeholder:** Employees, government, suppliers and community<br>**Risks:** URC recognizes that the risks associated with climate change are numerous: increased temperature and droughts, stronger typhoons, reduced water aquifers, and agricultural yields. All of these impacts the operational activities of the company in various ways. Tracking GHG emissions helps the company better understand its contribution to climate change. This also affects the company's assessment of its climate-related risks. The efficient usage of electricity and fuel reduces operational costs for all business units. |
| **Management Approach for Impact and Risks** |
| RC's strong commitment towards Climate Action is to move towards a low-carbon economy by ptimizing use of renewable energy and by using offset mechanisms to reduce impact of GHG emissions. s a company, it is committed to substantially improve its energy consumption in the facilities by nproving Energy Use Ratio (EUR) by 30% by 2030 and by gearing towards achieving net zero carbon |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| nissions by 2050. EUR is the measurement of energy consumption in relation to total products produced r category. This covers all energy sources of the company.<br><br>RC's strategy towards achieving Net Zero by 2050 includes completing GHG emissions inventory rgeting to have a Scope 3 baseline by 2024 while reviewing Scope 1& 2 emissions, and consequently obilizing agile squads through the Sustainability Transformation Office to conduct feasibility studies on d continuously implement energy efficiency programs and carbon reduction initiatives.<br><br>**roject JAGUAR** (Journey in Achieving Sustainability Goals thru Utilities and Assets Renewal) was nplemented in 14 BCF PH Plants with an investment of PHP 868M. This covers the improvement of ajor plant utility equipment like boilers, air handling units, and compressors. The project will generate to PHP 322M savings per year while improving energy efficiency. Project JAGUAR is expected to duce the energy use ratio of these plants by 14%, which is equivalent to 42,000 tons of $CO_2$.<br><br>**olar Rooftop installation in URC sites**<br><br>uided by the vision to delight consumers by food products that is manufactured in clean and renewable ergy source, the solar-at-scale initiative spearheaded the expansion of solar rooftop installations across CF-Philippine sites.<br>hrough this initiative, 3,500 kwp solar rooftop was installed in URC Calamba in addition to the existing 00kWp solar rooftop in URC Canlubang, which resulted to Php 2.2 million in savings and an estimated duction of more than 2,000 tonnes of CO2 emissions.<br><br>ternationally, URC Thailand has installed 6,000 kWp Solar rooftop, resulting to the consumption of 091 GJ electricity from solar energy and reduction of 3,176 tonnes CO2 emission reduction while URC ietnam has installed 3,000 kWp solar rooftop installation which resulted to an estimated avoidance of ore than 540 tonnes of CO2 emissions based on consumption.<br><br>hrough this project, 40,906 GJ of energy consumption comes from solar energy with an estimated oidance of more than 5,700 tonnes of CO2 emissions.<br><br>**ustainable Alternative Biofuels**<br><br>Fueled by its commitment towards Net Zero by 2050, URC launched the Biomass squad in 2022 to conduct a feasibility study on alternative Biofuels for boilers which are eco-friendly, cost efficient, sustainable, and compliant to regulatory requirements.<br><br>**The primary objectives and key results of this initiative are:**<br><br>1. To identify at least 3 sustainable types of Biofuel that are cost efficient with sustainable supply<br>2. To reduce greenhouse gas emissions<br>3. To generate cost savings through utilization of biomass waste materials as biofuels<br><br>At the end of the agile sprint, the squad working on the project successfully conducted plant trials of Palm Kernel Shell in 3 BCF Sites – NURC, Cavite and Canlubang, with intensive monitoring of critical parameters such as kilogram fuel per kilogram of steam produced, and boiler efficiencies.<br><br>Stack emission tests were also conducted on the boilers using palm kernel shells and results showed that all parameters such as Particulate Matter (PM), Sulfur Dioxide (SOx), Nitrogen Dioxides (NOx), |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
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| and Carbon Monoxides (CO) have consistently passed standards. The boiler efficiencies were also observed to have improved compared to using coal as fuel.<br><br>Part of the study conducted by the squad was the identification of necessary permits and application process to regulatory bodies in preparation for fuel shifts from coal to biomass.<br><br>Through a series of plant trials and utilization of biomass produced from BCF PH sites as fuel to the boilers, cost avoidance from cost hauling of biomass amounting to Php 12 million were satisfied while reducing an estimated 7,700 tonnes of $CO_2$ emissions.<br><br>Moving forward, the squad will continue to work on the sourcing of other potential biomass suppliers locally and internationally to ensure the sustainability of supply while exploring partnerships with the academe, local communities, government agencies for self-sustaining supply and utilization of locally available biomass wastes as biofuels.<br><br>The squad is also looking at other biomass types can be used alternative fuels to boilers that would also lessen carbon emissions.<br><br>In URC SURE, bagasse, a fibrous material leftover extracted from sugarcane is fed to the boilers to produce electricity used to power the mill's operations. In the poultry and hog farms, manure is collected to produce biogas which is converted to green energy through anaerobic digestion.<br><br>**Purchased Electricity from Renewable Energy Sources**<br><br>Boosting the transition to renewable energy sources, the company has signed agreements with various renewable energy suppliers to supply more than 20 of the local facilities with geothermal, solar, and hydro energy until 2025.<br><br>Through this initiative, 693,899 GJ of electricity consumed in 2022 comes from Renewable Sources which constitutes 42% of total purchased electricity.<br><br>URC long term goal is to have all the plants utilize electricity from 100% renewable energy by 2025.<br><br>This year, the company's total renewable energy accounts for almost 60% of total electricity consumption.<br><br>**Nationwide-tree planting initiatives across One URC**<br><br>To cap the 2022 Philippine Environment Month celebration, URC conducted a nationwide Tree Planting Activity under the theme "Protect Nature, Sustain Our Future" across 25 local sites and planted more than 5,900 total seedlings in partnership with LGU and DENR Municipal Environment and Natural Resource Office (MENRO) / Community Environment and Natural Resources Office (CENRO).<br><br>If all these seedlings grow and mature, an estimated 147 tons of $CO_2$ can be sequestered annually. Of course, the sequestration rate will depend on a lot of factors like the age of trees, type of trees, number of trees per hectare, spacing between trees, and other factors.<br><br>The programs and initiatives mentioned above are aligned to the SDG targets 7,9 and 13. |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
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| **Opportunities & Management Approach** |
| Geared towards achieving 100% renewable energy and net zero by 2050, moving forward, the agile squads mobilized in 2022 will continuously conduct feasibility studies, trials and implementation plans to increase utilization form renewable sources and explore other green fuel technologies and sustainable technologies to reduce coal consumption.<br><br>astly, the company will continuously explore opportunities for adopt-a-watershed programs that will elp in carbon sequestration. |

**Air Pollutants**

| Disclosure[1] | Units | 2021 | 2022 |
|---|---|---|---|
| NOx | Tonnes | 124.849 | 213.349 |
| SOx | Tonnes | 191.036 | 329.462 |
| Persistent organic pollutants (POPs) | - | * | |
| Volatile organic compounds (VOCs) | - | * | |
| Hazardous air pollutants (HAPs) | - | * | |
| Particulate matter (PM) | Tonnes | 28.63 | 347.382 |

Note:

- Data covers information from air pollution sources equipment (APSE) specifically from the boilers of **BCF-PH** with air emission test result expressed in Tonnes per year and were conducted by a DENR Accredited Laboratory. The company will cover all the APSE including the generator sets and company vehicles as soon as DENR EMB releases the policy on Mass Emission Rate Standards for Stationary Sources and once the Scope 3 of GHG Inventory is established, respectively.
- Per National Emission Standards for Source Specific Air Pollutants, all the emission test result expressed in mg/Nm3 were within the set standard of DENR EMB.
- URC's boilers, generator sets and company-owned vehicles undergo mandatory emission testing as mandated by the DENR and Land Transportation Office. Moving forward, URC will evaluate and determine appropriate monitoring process as part of the continuous alignment with the Clean Air Act.

The increase in total figures is primarily due to better measuring without the limitations encountered during the pandemic-induced lockdowns, however, all our emission test results were within the set standard of DENR EMB.

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:** URC operation generates air pollutants from food production and transportation and agricultural activities. The company acknowledges that air pollutants from APSE may result to environmental and long-term health effects of the employees and general public particularly if emission do not meet the National Emission Standards and Ambient Air Quality Standards stipulated thru Republic Act No. 8749, otherwise known as the Philippine Clean Air Act of 1999.<br>**Stakeholder:** Employees, Communities, and General public<br><br>**Risks:** The company recognizes that air pollutants pose risks to environment, public health and employees which would result in grievances and complaints from labor unions, the general public, and environmental activists. |
| **Management Approach for Impact and Risks** |
| URC recognizes the negative impacts of air pollutants to the environment and effect to human health. To reduce this, the company ensures it fully complies with the Clean Air Act and its implementing rules and regulations by constantly conducting environmental compliance monitoring and validation in the facilities and by ensuring proper and regular maintenance to APSE.<br><br>The company ensures to lessen air pollutants by improving air pollution control installation and by transitioning from bunker fuel to diesel used in boilers. We have also installed high efficiency boilers |

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| that contributed to the reduction of air emissions. The company supports the SDG 11 through these initiatives.<br><br>In 2022, the company was able to have ease of access of air emission testing, without the limitations encountered in 2021 due to pandemic lockdown restrictions. This resulted to more equipment tested and a year-on-year increase in total air pollutants emissions, though still fully complying with the set standard parameters of the Clean Air Act. |

## Solid and Hazardous Waste

### Solid Waste

| Disclosure | Units | 2021 | 2022 |
|---|---|---|---|
| Total solid waste generated | Tonnes | 3,133,574 | 2,946,862 |
| Recyclable (Biodegradables[1] and Non-Biodegradables[2]) | Tonnes | 984,511 | 945,024 |
| Incinerated | Tonnes | 0 | 0 |
| Residual/Landfilled[3] | Tonnes | 21,490 | 20,713 |
| Renewable[4] | Tonnes | 2,127,573 | 1,981,125 |

Note:
Data covers information of total URC (BCF-PH, BCF-INT, Flour, SURE, AIG, and external distribution centers in the Philippines).
[1] Biodegradable wastes are originated from plant or animal sources which may be broken down by other living organisms
[2] Non-biodegradable wastes are sold as scrap or returned to the recycling stream (e.g.: plastic containers, rubber, and metal)
[3] Residual/Landfilled – non-potential and non-recoverable waste that are disposed to sanitary landfill.
[4] Renewable are waste materials used as alternative fuel to generate the company's own energy (e.g.: Coffee Spent Grounds used as alternative fuel to boiler to produce steam for the production)

### Hazardous Waste

| Disclosure | Units | 2021 | 2022 |
|---|---|---|---|
| Total weight of hazardous waste generated[1] | Tonnes | 1,336 | 818 |
| Total weight of hazardous waste transported[2] | Tonnes | 1,096 | 614 |

Note:
[1]Data covers information of total URC (BCF-PH, BCF-INT, Flour, SURE, AIG, and external distribution centers in the Philippines)
[2] Data covers information of BCF-PH, BCF-INTL, Flour, SURE, AIG, and external distribution centers in the Philippines)
The difference in the quantity of hazardous waste generated and transported was stored in the DENR prescribe Hazardous Waste Storage onsite awaiting for schedule of transport and treatment.

| **Impact and Risks: Where they occur, URC's involvement, stakeholders affected** |
|---|
| **Impact:** The company recognizes that improperly handled waste can result in adverse environmental impact and ill-effect to human health.<br><br>**Stakeholder:** Employees, Communities, General public<br>**Risks:** URC recognizes that leakages in the waste management system can create a variety of hazards, from being a source of health problem, aesthetic nuisance, or being a source for ecosystem contamination. Unlawful discharges of hazardous waste into various land and water bodies can pollute the water table and affect the drinking water supply of many communities living within the vicinity. Unlawful discharges by third party contractors can result in fines or sanctions for business units. Other stakeholders affected include the government, waste pickers, and exposed communities. |
| **Management Approach for Impact and Risks** |

Managing waste has been embedded in the way the company operates in line with compliance to local government and social responsibility to communities where it operates. All the hazardous waste haulers are strictly screened to ensure that they are DENR accredited provider before the company engages their services. Designated staff, accredited pollution control officers (PCO), and key employees are trained and tasked to manage waste in all aspects, including facilities, equipment, and employee engagement. All the Hazardous waste is transported and treated in a DENR accredited treatment, storage, and disposal (TSD) facility. Wastes are kept monitored and secured in the facility until such time it is scheduled to be transported for treatment by the licensed transporter and treater of the DENR

Waste profiling is already part of the solid waste monitoring performance of URC, as it pushes towards zero waste to landfill as well as to extract more value from waste for circular economy purposes.

As a collective unit, it commits to effectively initiate and support efforts to manage waste and reduce its generation while ensuring that it does not end up in landfills as well as waterways and oceans which has been a visible issue around the world.

Note that different countries have different systems for classification of their hazardous waste. Since majority of the facilities are located in the Philippines, the company follows the definition and classification of hazardous waste stipulated in DAO 2013-22 Revised Procedures and Standards for the Management of Hazardous Wastes. For BCF International, they have already aligned their solid waste classification to BCF Philippines.

Hazardous waste is defined as substances that are without any safe commercial, industrial, agricultural or economic usage and are shipped, transported or brought from the country of origin for dumping or disposal into or in transit through any part of the territory of the Philippines. It includes by-products, side products, process residues, spent reaction media, contaminated plant or equipment or other substances from manufacturing operation sand as consumer discards of manufactured products which present unreasonable risk and/or injury to health and safety and to the environment.

As part of the company's efforts in reducing waste and the goal of zero waste to landfill, several sustainability projects focusing on managing waste are continuously being done, namely:

- Scrap Recovery – Standard practice to sell waste materials with high potential value to verified scrap buyers to drive circularity back to recycling stream.
- Project LTE (Laminates to Energy) – Implementing co-processing and refuse-derived fuel initiatives to 10 plants in BCF and diverting 356 Tonnes of plastic waste in 2022 with generated cost savings of Php 500,000 annually.
- Project LITRO (Liter of Recycled Oil) – Ensuring sustainable management of used vegetable oil while promoting compliance on managing hazardous waste.

With the recently published DAO-2023-02: Implementing Rules and Regulation of the RA11898, the company through the Sustainability Transformation Office, is committed on achieving plastic neutrality by 2030 target more than mere compliance.

Five squads were formed to focus on packaging stream by conducting feasibility studies, pilot programs, and crafting the Extended Producer Responsibility (EPR) strategy and 5-year compliance roadmap.

URC's EPR strategy is an end-to-end plastic waste solution that includes societal engagement, collection, diversion, and communication to ensure compliance and sustainability of the programs.

URC is the lead enterprise under all the subsidiaries under Gokongwei Group (GG) of companies. It endeavors to comply to the EPR as a Collective. The squads consist of members from different GG companies to harmonize the programs and leverage on the internal ecosystem to boost the collection of post-consumer plastic waste and expand the company's reach.

The company leading the collective has piloted collection programs, leveraging its network of malls, supermarkets, and convenient stores wherein it has installed 115 collection hubs and activated community-based collections in nine partner barangays within the areas where it operates through the CSR Program, Juan Goal for Plastic.

A total of 13,500kg of various plastics were collected and diverted through this program with an investment of more than Php370,000 based on pilot activations within 5 months.

Opportunities & Management Approach

Operationalizing the company's targets in Plastic Neutrality by 2030, the company will continuously integrate its sustainability projects addressing waste issues and challenges by adopting Agile Project Management. URC will continuously look for opportunities at their waste management systems to see how segregation and recovery can be improved.

Different plastic diversion technologies will be further explored to evaluate business viability and sustainability. The company will seek out collaborative projects on waste management that include community engagement and linking with local recyclers to seize opportunities in scaling up partnerships with these stakeholders.

URC also recognizes the value of collaboration with external stakeholders like local government units, academe, and civic groups in creating a holistic solution to address plastic issue. Long term and impactful programs with these potential partners will be developed. In order ensure continuity of plastic collection and scale up diversion capabilities green funding will be explored.

Lastly, these programs and initiatives are aligned to the UN SDG 12.

**Effluents**

| Disclosure | Units | 2021 | 2022 |
|---|---|---|---|
| Total volume of water discharges | Cubic meters | 5,269,003 | 5,190,742 |
| Percent of wastewater recycled[1] | % | 16% | 14% |

Note:
Data covers information of total URC (BCF-PH, BCF-INT, Flour, SURE, AIG, and External Distribution Centers in the Philippines)
[1] Percent of wastewater is computed as the total volume of water recycled and reused over the total volume of water discharges.

**npact and Risks: Where they occur, URC's involvement, stakeholders affected**

**Impact:** URC's operations generate wastewater from food production and agricultural activities. It is among the most difficult and costly waste to manage because wastewater from food processing contains large quantities of nutrients, suspended and dissolved solids, and high biochemical oxygen demands.

| npact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| The company acknowledges that untreated wastewater may contaminate the water bodies surrounding its business operations particularly if discharges do not meet the Water Quality Guidelines and General Effluent Standard stipulated thru DENR Administrative Order 2016-08.<br><br>**akeholder:** Employees, Communities, General public<br><br>**Risks:** As a food and beverage business, water holds an essential value in the sustainability of the company. The company recognizes that the risks in discharging contaminated wastewater can pose significant threats to communities and other stakeholders directly or indirectly affecting its social license to operate. |
| **anagement Approach for Impact and Risks** |
| Managing production waste like effluents and other types of waste has been embedded in the way it operates in line with the compliance to local government and social responsibility to communities.<br><br>Since 2020, the company have conducted a series of programs and initiatives to ensure the compliance of wastewater effluents to the requirements and standard parameters stipulated in the Water Quality Guidelines and General Effluent Standards.<br><br>These programs include additional chemical treatments in specific sites for the reduction of phosphates, standardized chlorine dosing across all BCF-PH sites, standardization, and provision of the right tools to wastewater operators to track and test parameters, design & built and capacity upgrades of wastewater treatment plants in selected sites to accommodate the increased capacity of production and reduce ammonia, phosphate, and nitrates.<br><br>Additionally, standardized dry cleaning procedures were being done instead of the wet cleaning in certain areas in the production and leak corrections were being conducted which resulted to reduction of water consumption and decrease in water discharge. Certain sites were also being evaluated in their readiness to recover their treated effluent for domestic use such as toilet flashing, gardening, etc.<br><br>In 2022, new technologies were acquired by URC such as the electrocoagulation piloted and commissioned in Tarlac for the removal of phosphates, Total Suspended Solids (TSS), Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD); and Dissolved-air floatation piloted and commissioned in Vitasoy plant to reduce the oil and grease.<br><br>Lastly, heat exchangers were being installed in selected confectionary lines to recover the vacuum pump discharge and recirculated into the system resulting to reduction of water consumption and discharge. |

| pportunities & Management Approach |
|---|
| Recognizing the challenges from managing effluents, the company has an opportunity to optimize its wastewater usage by identifying processes that would re-use or/and recycle the effluent. |

**Environmental Compliance**

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

| Disclosure | Quantity | Units |
|---|---|---|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | No material fines or penalties | PHP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | | # |
| No. of cases resolved through dispute resolution mechanism | | # |

Note: The company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceedings involving fines or non-monetary sanctions that could be expected to have a material adverse effect on the Company's financial position or results of operations.

| **Impact and Risks: Where they occur, URC's involvement, stakeholders affected** |
|---|
| **Impact:** URC recognizes that environmental compliance is essential to ensure that affected stakeholders, including employees, surrounding communities, and the environment, are not exposed to any unnecessary amount of hazard due to its business operations. Environmental compliance is hygienic towards responsible resources management materiality and 2030 commitments, which is essential in securing the social license.<br><br>**Stakeholder:** Employees, Management, Communities, General public<br><br>**Risks:** URC recognizes the risks of sanctions from local and national regulations as well as standards imposed by permit officials is an ever-present risk if business activities are not monitored well. |
| **Management Approach for Impacts and Risks** |
| Over time, the company continued to enhance the overall approach in its environmental compliance through the routine strategic cadences developed. This is led by URC's compliance and legal, ensuring all facilities are compliant, which is also a cross-functional requirement for business continuity planning.<br><br>As a publicly listed company, it is compliant with the regulations of the countries where it operates and sell products to, as well as any conditions required by the customers. In the home market, the company continuously monitors its performance based on environmental regulations put forward by the DENR, NWRB, and the pertinent City or CENRO/MENRO. Aside from these, it also seeks to comply with the requirements of energy regulatory bodies such as the DOE and the ERC.<br><br>The company's environmental compliance is evaluated based on governing laws and requirements prescribed by the regulatory bodies, including but not limited to the Philippine Clean Water Act (Republic Act No. 9275); Clean Air Act (R.A. No. 8749); Ecological Solid Waste Management Act (R.A. No. 9003); Toxic Substances and Hazardous and Nuclear Wastes Control Act (R.A. No. 6969); Pollution Control Law (R.A. No. 3931, as amended by Presidential Decree 984); the Environmental Impact Statement System (P.D. No. 1586); and the Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850).<br><br>The Environmental Compliance Certificates (ECCs) fulfill the requirements of Presidential Decree No. 1586, under DENR Administrative Order No. 2003-30. Given that the company generates renewable energy and sell excess power supply, it also complies with the Renewable Energy Act (R.A. No. 9513) and the Electric Power Industry Reform Act (R.A. No. 9136).<br><br>To ensure compliance to all environmental regulations, the company ensure that every facility has a DENR-Accredited PCO that will manage the environmental aspects and impacts of the operation. To |

| |
|---|
| guarantee that there will be no lapses on environmental compliance, the company also assigned an Alternate PCO who will handle concerns should the Main PCO be unavailable.<br><br>The Environment, Health, and Safety (EHS) Compliance Officers, in coordination with the Corporate EHS Managers, sustained the conduct of Compliance Assessment throughout all URC sites, especially to new operating sites, which is the mechanism to ensure that the company is 100% compliant to all regulatory requirements.<br><br>The compliance assessment aims to revalidate the compliance of all facilities in the permit acquisitions and permit conditions. The output of the compliance assessment is sustained through monthly management of URC sites' permits and licenses in order to keep track on the compliance status of the sites.<br><br>The EHS Compliance Officers also concluded the conduct of Integrated Environment, Health, and Safety Assessment (IEHSA) to 40 URC Philippine Sites in 2022.<br><br>IEHSA aims to confirm the current status of the plant's EHS implementation which will help drive the achievement of EHS Goals, increase of compliance obligation conformance and the reduction of EHS risks and impacts. A mechanism to track the management of closing out actions to address concerns raised in IEHSA is established, hence progress on compliance is continuously sustained and improved. |
| **Opportunities & Management Approach** |
| Moving to go above and beyond 100% compliance, the company has developed a structured and rigorous approach for the development of an effective Environmental Management System that aims at achieving ambitious objectives. Consequently, the company will proactively engage with the policy makers and relevant stakeholders in order to align its strategies in the new laws and regulations. |

## Employee Management

### Employee Hiring and Benefits

**Employee Data**

| Disclosure | Quantity | Units |
|---|---|---|
| Total number of employees | 13,173 | # |
| a. Number of female employees | 4,217 | # |
| b. Number of male employees | 8,956 | # |
| Attrition rate[1] | 10.5 | % |
| Ratio of lowest paid employee against minimum wage[2] | 1:1 | Ratio |

Note: Data covers the total number of URC regular employees as of December 31, 2022

[1]Attrition rate is the total voluntary turnover of current year over average total no. of employees of current year (including new hires for the year)

[2] The ratio is based on the comparison between the wage of the lowest paid employee (base fare) and the minimum wage on the specific region. URC is compliant with the minimum wage requirement. Other compensation provided to regular employees are indicated in the table below.

-Already includes employees from Munchy's Malaysia.

**Employee Benefits**

| List of Benefits[1] | Y/N | Type of Data | % of Female Employees | % of Male Employees |
|---|---|---|---|---|
| SS | Y | Covered | 100% | 100% |
| iilHealth | Y | Covered | 100% | 100% |
| ıg-ibig | Y | Covered | 100% | 100% |
| ırental leaves | Y | Covered | 100% | 100% |
| acation leaves | Y | Covered | 100% | 100% |
| ck leaves | Y | Covered | 100% | 100% |
| edical benefits (aside from PhilHealth) | Y | Covered | 100% | 100% |
| ousing assistance/ Provision for Staff Houses side from Pag-ibig)[2] | Y | Availing | 0.3% | 0.8% |
| etirement fund (aside from SSS) | Y | Covered | 100% | 100% |
| ırther education support (company loans for education) | Y | Covered | 100% | 100% |
| ompany stock options[3] | Y | Availing | 0.01% | 0.03% |
| elecommuting | Y | Availing | 33% | 9% |
| exible-working Hours[4] | Y | Availing | 6% | 5% |
| )thers) | | | | |
| roup Life Insurance | Y | Covered | 100% | 100% |
| hristmas Package | Y | Covered | 100% | 100% |
| ıbsidies for motivational programs such as company ıting, Christmas party, sports fest, and family day | Y | Covered | 100% | 100% |
| ompany Loans for Emergencies | Y | Covered | 100% | 100% |
| pecial Leaves such as Emergency and Nuptial Leave | Y | Covered | 100% | 100% |

Note:

[1] The information covers the total number of URC PH regular employees

[2] Data on housing assistance are only applicable to selected AIG, Flour, and SURE employees

[3] Company stock options are only applicable to select executive officers

[4] Flexible working hours are only applicable to employees working in the head office

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:** The employees serve as the foundation of the company's value creation given that the success was built by different generations of employees who have been passionate in ensuring that the company delights its consumers.<br><br>Through hiring and provision of competitive benefits, URC employees are better able to cover their cost of living, perform roles outside the workplace, afford better quality of life, and stay longer in the company.<br><br>**Stakeholder:** Management, Employees<br><br>**Risks:** Given the nature of the business which is manufacturing, the highest priority is to ensure a safe, efficient, and engaging work environment for the employees. The operations might be disrupted if there are limited number of employees. |
| **Management Approach for Impact and Risks** |
| The company seeks to engage and empower its employees towards high performance and growth. It strengthens its people by equipping them with capabilities on how to respond to change, opportunities, and addresses specific business challenges. URC complies with and goes beyond the government mandated benefits. In response to the rapid developments in working arrangement, URC continuously benchmarks with market practices to ensure that it addresses the changing needs of the employees.<br><br>To manage and further develop its pool of talents, URC recently rolled out the Darwin Box, a company-wide talent management platform for all its employees. To promulgate employee engagement, it also conducts Annual Pulse Surveys where employees can voice their concerns and provide feedback on their employee experience.<br><br>Employee Programs:<br><br>• Kamusta Ka-URC Employee Assistance Program (EAP)<br>In relation to the approved policy on Mental Health and Wellness in the Workplace, the organization continues to roll out activities that aim to promote employees' well-being towards healthy and productive lives by providing support whenever needed through affiliation with PowerVision Inc.<br><br>1. To raise awareness, prevent stigma and discrimination in the workplace;<br>2. To provide support to employees who are identified to be at risk;<br>3. To facilitate access to medical health services; and<br>4. To promote employees' well-being towards healthy and productive lives.<br><br>High participation rate was observed for EAP sessions while low utilization rate for serious cases (e.g. anxiety, work stress, trauma and abuse, etc.).<br><br>• **Continuous support the marketing needs of URVoice**<br>Support the needed marketing collaterals for URVoice, the digital platform for employees and stakeholders to freely share their observations and/or concerns.<br><br>The program aims to have full maximization of the platform for concerns  and efficient Turn around time for received concerns |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| Key impacts were full utilization of URVoice especially for anonymous report and low escalation to external authorities (DOLE etc.)<br><br>• **Resumption of Face-to-Face Activities**<br>As the pandemic cases continue to slow down, the company plans to resume the rollout of F2F engagement activities to further boost the engagement and morale of the employees.<br><br>1. 100% roll out of major engagement activities (e.g. family day, sports fest, town halls, Christmas party, etc.).<br><br>The program has an average Customer Satisfaction Score of **4 out of 5** on all engagement activities and an increase in overall engagement score for URC. |
| **Opportunities & Management Approach** |
| URC sees opportunity to differentiate itself as an employer from other desirable companies in the country. Grievance mechanisms and numerous communication channels, such as town hall meetings, are made available to employees. This allows URC to capture the other dimensions of employee satisfaction, such as professional development. |

**Employee Training and Development**

| Disclosure | Quantity | Units |
|---|---|---|
| Total training hours provided to employees | 241,719.54 | hours |
| Average training hours provided to employees | 22.50 | hours/employee |

Note: Data covers the total number of URC regular employees who underwent training in 2022
No breakdown between male and female in 2022. However, part of the plan moving forward is to monitor per gender

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:** The company understands that continuous training and provision of career growth opportunities should be valued.<br><br>It will create an interconnected benefit for the individual employee as well as for the company. Employees are able to develop new skills valuable for progression and career development. The organization can benefit as it increases the possibility of attracting highly capable employees, improving employee retention, loyalty, satisfaction and performance standards as well as discovering areas for improvement.<br><br>**Stakeholder:** Employees<br><br>**Risks:** Inadequate training and career growth opportunities will negatively impact workforce productivity and quality of service. On the other hand, employees may also choose to leave and seek better opportunities elsewhere after getting sufficient training |
| **Management Approach for Impact and Risks** |
| URC's People Ambition is to be the best talents' top of mind for being a global organization that stays true to its values. The company wants its employees to work as an open, remote network of teams where everyone is empowered to work in a fluid way to solve problems and deliver to their full potential. It wants to ensure that everyone belongs and feels free to bring all of their passion, creativity, and talent. |

With this, the URC brand of leadership development is aimed to build capability from personal leadership to guiding individuals and teams and in managing the business. The trainings provided to the employees cover across the business unit within the company, including the domestic and international operations.

In URC's Growth in Talent commitment, the company achieved an average of 22.50 training hours per employee across the entire organization thru capability-development goals, namely: Build and Strengthen Agile Capability; Build and Support Global Leadership Capabilities of Next Generation Leaders; and Build and Sustain Digital Learning Channels.

**Build and Strengthen Agile Capability**

With its vision to enable organizations to sustain the targeted agile capabilities needed to continuously improve performance and deliver impact, URC Agile Academy's capability building programs are anchored on new ways of working that require shifting mindset and behaviors at all levels of the organization; new skills and knowledge required to drive the transformation; new roles which require upskilling and/or reinforcement for execution; and new culture that is needed to ensure change is sustained for the organization to truly embrace the new ways of working.

In 2022, the company continued conducting the Agile Onboarding and Bootcamp, Agile Basics Microlearning courses, and Agile in Sprint. Together with full-time Agile Coach Chapter Leads, Agile Center of Excellence (COE) team was able to train new squads from Customer and Category Tribes, independent squads from Digital Transformation Office (DTO), Sustainability Transformation Office (STO), Agro-Industrial Commodities (AIC) groups, URC International, and other squads from Finance and Human Resources.

Aside from the ongoing runs of bootcamp and agile basics, additional initiatives were added in 2022 Programs to address the gaps identified in the 2$^{nd}$ Half of 2022. Agile Academy launched the Sponsor Onboarding to ensure that Sponsors understand the rationale behind Agile@Scale initiatives, structure and ceremonies, and apply his role during the Sponsor Check-in; Product Owner Academy in Q4 to accelerate the PO capability building; and started the development of Microsoft AzureDev Ops (ADO) Micro learning course to be part of the priorities in 2023 as another way to learn how to navigate the platform.

These learning sessions under Agile Academy contributed a total of 25,020.27 training hours or 24.60 hours per employee, covering Agile Onboarding and Bootcamp, Agile Basics Microlearning courses, and Agile in Sprint, with an average feedback score of 4.50 out of 5.00. The Agile Academy was able to train a total of 77 squads with 1,604 participants by building their knowledge and awareness of agile practices and ways of working through continuous flow of relevant learning and development programs for all agile roles.

These programs are designed and customized to equip the employees with an in-depth understanding of Enterprise Agile, its key elements and what the transition journey looks like for the organization. It also enabled the participants to move from understanding the theory of Agile, to deciding and committing to the transformation that revolves around four elements: Knowledge, Experience, Peer Interaction, and Tools.

**Build and Support Global Leadership Capabilities of Next Generation Leaders**

In addition to the agile capability development initiatives, the company continued to future proof the business through the following leadership capability-building programs anchored on core values and leadership competencies. In 2022, it delivered the URC Regional Conference, Leadership Excellence and Advancement Development (LEAD), and Leadership Enrichment and Advancement Program (LEAP).

**URC Regional Conference**
A customized, immersive, and experiential program designed for the Extended Leadership Team (ELT), with a mix of thought leadership sessions, industry thematic discussions, company and site learning expeditions, and workshops. The program aims to expand leadership mindset around innovation and transformation; inspire leaders to embody and model behavior that set people up for success; and introduce cutting-edge knowledge and new information in the Food and Beverage industry

The quarterly sessions contributed a total of 3,360 training hours or 84 hours per employee, across 40 executives, regional leaders, and country heads. URC Regional Conference got an average feedback score of 4.54 out of 5.00

**Leadership Excellence and Advancement Development (LEAD)**
A 5-month journey designed for the middle managers, that offers a holistic view of who they are and what they can become- as “individuals”, as “leaders of teams”, and as “business leaders” anchored on leadership and commercial competencies. Modules are identified based on the specific needs of the target participants.

In 2022, URC kicked-off an exclusive batch for Integrated Supply Chain (ISC) with its first module, Four Essential Roles of Leadership covering 36 leaders from the Head Office and BCFG Manufacturing Plants. This batch contributed a total of 864 training hours or 24 hours per employee, with an average feedback score of 4.49 out of 5.00. The next module, Multipliers, is scheduled in March 2023

A heterogenous class was also launched covering leaders from Marketing, Sales, Global Innovations, Manufacturing, Supply Chain, Corporate Engineering, Joint Ventures (DURBI, VURC, and NURC), URC-SURE, URC Myanmar, and URC Vietnam. This batch contributed a total of 769.17 training hours or 30.77 hours per employee through its first two (2) modules: Four Essential Roles of Leadership and Essential Skills for Change, with an average feedback score of 4.60 out of 5.00. The next module, Leading at the Speed of Trust, is scheduled in January 2023.

**Leadership Enrichment and Advancement Program (LEAP)**
A development program designed for Frontline Managers that focuses on basic management skills, better conversations, and team development. Modules are identified based on the specific needs of the target participants.

In 2022, the Agro-Industrial Group (AIG) had their pilot batch of LEAP covering the Trade Marketing Supervisors and Veterinarians. A 3-day customized program focused on leadership transition, interaction essentials, and coaching skills. They completed their Design Thinking workshop last December 2022 where they learned the skills of customer journey mapping, persona creation, and prototyping, which are critical in the projects they have initially identified and presented. This batch contributed a total of 648 training hours or 24 hours per employee through its 3 modules: Your Leadership Journey, Communicating for Leadership Success, and Coaching for Peak Performance, with an average feedback score of 4.60 out of 5.00.

A heterogenous class was also launched covering leaders from Marketing, Procurement, Integrated Supply Chain, Human Resources, and Strategy. This batch contributed a total of 421 training hours or 26.31 hours per employee through its first two (2) modules: Seven Habits for Managers and Essential Skills for Change, with an average feedback score of 4.55 out of 5.00. The next module, Leading Growth, is scheduled in January 2023.

**Build and Sustain Digital Learning Channel through URLearning**

From around 30 modules since its launch in 2019, URLearning has now over 600 modules available in the platform, which were co-created with functional Subject Matter Experts. One of the ultimate goals of URLearning is to offer a personalized learning pathway depending on the competency assessment results and Individual Development Plan (IDP) of the employee, which are available in Darwinbox. In preparation for the integration of the two (2) systems, the team focused on building the following items this year, as part of URLearning's 3-Year Enhancement Roadmap:

- URLearning Single Sign On (SSO) Activation: Through the Single Sign On activation, URLearning users from URC PH as the pilot group can easily access their accounts while being logged in to their Microsoft O365 Accounts on any device, anytime, anywhere. Login using username and password is still available.
- URLearning Instructors Training: A Training Program for URLearning Instructors on how to utilize the features of Matrix LMS (e.g. Course creation, Attendance monitoring, Class management, Gamification, Report generation, Module management, Learner enrollment and management, Assessments, and Scores)
- Learners' Data Cleansing based on SAP HCM report: Process of identifying and correcting inaccuracies within a data set. Those inaccuracies could be anything and everything, including missing, redundant, incorrect, or duplicate information. Data cleansing, which is conducted by the LMS Admin every month, supports data quality.
- SCORM modules via iSpring: SCORM stands for Shareable Content Object Reference Model. It is a set of rules that allows the company to pack the digital content that the company wants to be part of the course and display it in the correct order on the learning platform. Last November 2022, the company subscribed with iSpring Suite, which is a PowerPoint-based authoring toolkit produced by iSpring Solutions that allows users to create slide-based courses, quizzes, dialog simulations, screencasts, video lectures, and other interactive learning materials. Currently, the company is using the said tool in making the Agile Basics micro-learning courses in different languages (Thai, Burmese, Vietnamese, and Bahasa).

As the company continues to offer mandatory and functional learning courses through the online platform, it has seen a significant increase in the number of new accounts created as of December 2022 at 132% versus new users created in 2021 (Total of 2,392 new users in 2022). The number of new users per month depends on the number of new hires and new account requests. Most number of user accounts were created in May, July, and August 2022 due to Basics Safety module and Basic

Good Manufacturing Practice modules for Manufacturing. Majority of new users are Production and Maintenance Supervisors, Operators, and Technician who were allowed to access URLearning using their personal email addresses. There is a significant increase in December 2022 (from 55 to 285) because of the completion of the mandatory courses by the Manufacturing plants.

Utilization Rate as of December 2022 is 148.10% versus target or a total of 2,962 learners, who have accessed the platform. Current target at 80% is based on the overall active unique users. Improvement

| |
|---|
| on metric is seen by setting the target utilization per month, which can be increased through: (1) Functional academies which will offer technical courses to build functional capabilities, and (2) Roll out of Competency Assessment and Individual Development Plan via Darwinbox and manual forms. Top 3 most accessed courses (Mandatory Courses, Onboarding Courses, and Basic GMP course.<br><br>These programs are linked with the promotion of UN SDG 4. |
| **Opportunities & Management Approach** |
| URC sees opportunity to differentiate itself as a company that equips its employees to drive his own career journey while being provided the right tools, insights, and guidance from his leader on how she can navigate through the different career routes possible.<br><br>With URJourney, URC's career development program, employees will be guided on how he can grow and develop his career. URJourney powered by Darwinbox allows the company to integrate different modules. The company got data from performance management to feed into its assessment and career plans. Development plans also builds into the Advancement Planning system.<br><br>Specific to competency development, the employee can now create development plan based on his needs through a holistic assessment, build the targeted competencies and track his progress. |

**Diversity and Equal Opportunity**

| Disclosure | Quantity | Units |
|---|---|---|
| % of female workers in the workforce | 32 | % |
| % of male workers in the workforce | 68 | % |
| Number of employees from indigenous communities and/or Sector | currently not tracked | # |

Note: Data covers the total number of URC regular employees

| **Impact and Risks: Where they occur, URC's involvement, stakeholders affected** |
|---|
| **Impact:** A diverse workforce is beneficial to the success of business. By gathering employees with different backgrounds, the company also creates a large pool of strengths, ideas, and perspectives that can provide better innovative solutions which can also cater to a wider range of market.<br><br>**Stakeholder:** Employees<br><br>**Risks:** Having a homogeneous group, instead of diverse workforce, will cause URC to miss opportunities to gain a competitive advantage over other companies. |
| **Management Approach for Impact and Risks** |
| URC believes in diversity and fairness, elements critical for women to be successful at work. Respect for women begets results from women. URC strictly hires based on competencies required of the position and does not discriminate on race, color, religion, sexual orientation, disabilities. URC adheres to its antidiscrimination policy.<br><br>The company ensures that it observes fair labor practices while upholding equal opportunity and workforce diversity. HR is up-to-date on societal trends influencing the workforce demographic and is positioned to open discussions on complements to hiring based on competencies. |
| **Opportunities & Management Approach** |
| URC can provide reasonable, preferential hiring to the vulnerable sector, staying true to its commitment of empowering the organization through its People and Planet Friendly Culture initiatives. |

**Workplace Conditions, Labor Standards, and Human Rights**

**Occupational Health and Safety**

| Disclosure | Quantity | Units |
|---|---|---|
| Total Man-Hours[1] | 73,095,416 | Man-hours |
| No. of work-related injuries[2] | 304 | # |
| No. of work-related fatalities | 4 | # |
| No. of work-related ill-health | - | # |
| No. of safety drills | 112 | # |

Note: Data covers information of total URC (BCF-PH, BCF-INT, Flour, SURE, AIG, head offices, and external distribution centers in the Philippines)

[1] Total man-hours are the number of hours worked in the reporting period. These includes regular employees and third-party employees that are performing work in the workplace that is controlled by the organization

[2] Number of work-related injuries include First-Aid Treatment Injury (FTI), Medical Treatment Injury (MTI), and Lost-time

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:** An effective EHS system promotes a healthy and safe working environment which increases workplace satisfaction and productivity among employees. Understanding the high-risk and labor-intensive nature of its domestic and international operations, workplace health and safety (WHS) is crucial to promote employee wellness, prevent work-related accidents, and maintain full compliance with regulatory requirements and industry standards.<br><br>**Stakeholder:** Employees<br><br>**Risks:** An ineffective health and safety system could potentially lead to injuries, put lives at risks, damage to properties, and lessen workforce productivity. Furthermore, failure to comply with health and safety standards could cause penalties from regulators and pose negative impacts on its employee retention and customer reputation. |
| **Management Approach for Impact and Risks** |
| URC is a firm believer that the employees are the core foundation of the company. Anchored to the values of Putting People First, it ensures a safe and healthy environment for all the employees in its day-to day operations.<br><br>The company recognizes that embedding a safety culture is vital in achieving zero accident in the workplace. The company protects its people from workplace hazards and promote their well-being through the implementation of URC's five (5) core occupational health and safety programs.<br><br>1. Juan Life Saving Rules (LSR) 2.0<br>To strengthen safety awareness through visual management, Juan Life Saving Rules or LSR was updated in 2021 and featured additional focus areas. These focus areas pertain to work permitting systems, management of hazardous chemicals, and machine safety.<br><br>Dubbed as LSR 2.0, the revitalized set of Life Saving Rules was aligned to the current situation in URC's different plants. Each rule was aligned with global standards, local legislation, and company safety procedures to ensure the protection of the workforce in their regular field duties.<br><br>2. Behavior-Based Safety (BBS) 2.0<br>Through BBS observation and coaching, the program targets to effect behavioral change in the way workers look safety --that it should be a Way of Life |

3. Quick Risk Prediction
   This program aims to conduct pro-active and timely risk assessment for non-routine and unplanned activities and install the necessary control measures. This activity will prevent potential incidents resulting from unplanned machine troubleshooting' and repair.

4. Near Miss Reporting
   Near miss is sometimes referred to as "close call" or "near hit" and it signals a system weakness that if not corrected would lead to a significant consequence in the future. Through near miss reporting, deficiencies can be corrected thus preventing any accidents in the future.

5. Project TLC (Training, Leading, and Coaching)
   Another company initiative that provides various training for employees, empowering its EHS Leaders on operational control programs as well as equipping them with the requirements needed for the certification from PCOs, Safety Officers, and Radiation Protection Safety Officers. In Project TLC, the company conducted internal webinar trainings relevant to safety, such as confined space entry, material handling safety, work permitting systems, among others.

In 2022, the implementation of these core programs was reinforced with the addition of key initiatives targeted to increase the level of awareness, promoting ownership, and improving accountability through the Reinforced Safety Campaign. Through the implementation of this program, it addressed the safety issues encountered in the past year and slowly supports the building of a culture of safety excellence in the workplace.

**Programs on increasing the level of Awareness:**

- Safety Maps indicating the risks and hazards in the area were developed by the Process Owners that would also guide new hires on the risks and hazards associated with their areas of assignment
- Project S4K (Salin ng Kaalaman sa Kaligtasan, Kalusugan at Kapaligiran) is a condensed version of training on Operation Control Programs (OCP) targeting managers and supervisors
- Project OWLS (OCP Webinar Learning Session) is focused on the conduct of refresher or learning sessions of OCPs based from critical accidents from the prior year
- Project LTSE (Life Training in Safety Excellence) is an OCP training workshop designed for startup safety and environment, health & safety system
- Project ICE (Information, Communication and Education) is a program designed to disseminate infographics or digests on selected topics of Environment, Health & Safety (EHS)

**Programs on promoting Ownership:**

- Ensured all sites have a dedicated EHS Officer to oversee and implement safety programs
- Reinforced Behavior-based Safety observation and Coaching to effect behavioral change in the way employees look safety --that it should be a Way of Life
- Implemented Basic Equipment Care (BEC) Red and Blue Tagging which is a method to correct unsafe conditions wherein if the tag of an equipment is blue, it means that it can be fixed by an operator while if the tag is red, it should be fixed by maintenance

**Programs on Strengthening Accountability**

- Offenses Subject for Disciplinary action (OSDA) Implementing Rules and Regulation (IRR) is a program to establish the implementing guidelines for enforcement of Code of Discipline related to Safety Offenses Subject for Disciplinary action for all regular employees. It aims to contain simplified and more specific safety offenses

- Strengthening and enhancing partnership with Third Party Management Service providers to reinforce accountability on implementation of safety programs for third-party employees
- Safety Rewards and Recognitions

Through the reinforcement of these programs, the company observed the decrease in the total number of incidents in the workplace to 304 from 321 in 2021 and continuously strive to achieve Zero Loss time incidents as it journeys towards safety excellence. These programs also contribute to the UN SDGs 3 and 8.

**COVID-19 Response**
COVID-19 has fundamentally changed the way we live and the ways of working. As early as February 2020, URC developed guidelines on the preparedness and response to COVID-19. Since the initial lockdowns in March 2020, the company have been consistently implementing group-wide health and safety programs to safeguard the health and safety of the employees, business partners and the communities where the company operates.

To mitigate the impacts of COVID-19, work-from-home arrangements were implemented for office-based employees while the essential workforce was strictly monitored thru daily mandatory health and travel declaration forms across total URC. All employees working onsite were required to strictly adhere to the COVID-19 Guidelines and Protocol such as social distancing, use of face shield and facemask, frequent handwashing and use of alcohols, etc.

In 2022, booster shots among URC employees including its dependents, and third-party manpower were given highest priority. Majority of the facilities in BCF PH and SURE were also awarded with Safety Seal Certifications given by DOLE Bureau of Working Condition. The Safety Seal Certification is a voluntary certification scheme that affirms that an establishment is compliant with the minimum public health standards set by the government and uses or integrates its contact tracing with StaySafe.ph.

**Opportunities & Management Approach**

URC seeks to improve its integrated EHS management system focusing on leadership and culture, infrastructure improvement, systems harmonization and capability building. URC promotes the establishment of the EHS Committee, and implementing EHS Policy and Programs. The company has an opportunity to transition from person-based safety to process safety.

**Labor Laws and Human Rights**

| Disclosure | Quantity | Units |
|---|---|---|
| No. of legal actions or employee grievances involving forced or child labor | 0 | # |

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

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| Forced labor | Y | Compliance with labor laws is incorporated by reference in Code of Discipline |
| Child labor | Y | |
| Human Rights | Y | • Policy on Sexual Harassment<br>• Policy on Health, Safety and Welfare |

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| | | • Corporate Environment, Health and Safety Policy<br>• Drug-Free Workplace Policy<br>• Workplace Policy on Prevention Control of HIV and AIDS, Hepatitis B and Tuberculosis<br>• Special Benefits for Women/Magna Carta for Women<br>• Solo-Parent Leave Policy<br>• Whistleblowing Policy<br>• Data Privacy Policy |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:** URC respects and follows labor and human rights regulations in the workplace as stipulated by law. Non-compliance or violation of these rights will affect overall sustainability, impact URC productivity, employee retention, and employee engagement.<br><br>**Stakeholder:** Employees, Management, Government<br><br>**Risks:** Violation of the rights of the employees will put URC at risk of being penalized, and increase employee turnover |
| **Management Approach for Impact and Risks** |
| URC duly follows the Labor Code of the Philippines and enforces internal policies and the guidelines with respect to labor unions. These policies include the Code of Discipline, and other guidelines on confidentiality, corporate governance, information technology (IT) security, non-competition, special leave benefits for women (per Republic Act No. 9710, or the Magna Carta of Women), sexual harassment (per Republic Act. No. 7877), and maintaining a drug-free workplace (per Republic Act No. 9165). |
| **Opportunities & Management Approach** |
| URC will continue to adhere to highest ethical and lawful conduct in the way it handles its employees. |

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
We follow the Supplier Accreditation Policy of JG Summit Holdings Inc. (See Annex 3)

Do you consider the following sustainability topics when accrediting suppliers?

| Topic | Y/N | If Yes, cite reference in the supplier policy |
|---|---|---|
| Environmental performance | Y | Procurement employees are trained on Responsible Sourcing to ensure compliance with the Company's Policies as well as government rules and regulations. |
| Forced labor | Y | |
| Child labor | Y | |
| Human rights | Y | |
| Bribery and corruption | Y | |

| Impact, Stakeholders, & Management Approach |
|---|
| **Impact:** As a food and beverage manufacturer, supply chain management is part of the company's materiality. The impact of supply chain management affects the entire operations and also its corporate reputation. The company recognizes the effect towards its ESG status if the practice involves child labor, unfair practice in employment, forced labor, corruption, and negative environmental impacts |

such as deforestation.

**Stakeholders:** Smallholder farmers, traders, direct suppliers, shareholders and employees
URC works with suppliers that have a strong commitment to sustainability and leverage regional procurement as it continues to improve its overall supplier management. For the past three years, the company has promoted and built the foundation of sustainable agriculture for its stakeholders:

In relation to the goal of responsible sourcing, the company have procured and used 30% RSPO-certified palm oil in its operations in 2022, to ensure that highest standards and industry practices in sourcing of palm oil and its derivatives are in place.

Also, this year, 100% of its chipping potatoes were sourced from GAP-certified suppliers.

Additionally, AIG has been continuously using soybeans with the sustainable US Soy Seal, receiving recognition from the US Soybean Export Council as the first company to use this in Southeast Asia.

In the Philippines, the company continues to help the local farmers increase their yield and scale-up productivity by providing high quality chipping potato seeds as farm inputs to selected potato farming communities in Cordillera, Bukidnon, and Davao del Sur. Further details regarding the Sustainable Potato Program is discussed under Relationship with Community section.

SURE also continuously conducted baselining in its program for sustainable sugarcane farming with the signing of a Memorandum of Agreement (MOA) for a hundred (100) hectares farm land near the URC SONEDCO Sugar Mill Site in 2021, to pilot sustainable sugarcane farming.

The company also continues to support sugar cane farmers in Negros, Batangas, and corn farmers in Ilocos Sur, in partnership with the local government through Project Salig. Further details are discussed under Relationship with Community section.

**Supplier Accreditation:** URC has a dedicated supplier selection team that handles the stringent supplier selection process that meets responsible sourcing criteria. The company prefers suppliers that share its values in promoting the responsible production, fair trade practices, and a growing concern for origin.

**Supplier Management Program:** To build a stronger supplier network by establishing a robust supplier management process in succeeding to become preferred business partner through managing a growing supplier base effectively, supplier performance evaluations, leveraging supplier relationship management, assessing, and mitigating supplier risk.

**Sustainable Procurement:**
In 2022, URC launched the Sustainable Procurement Program to revolutionize and lead the transformation towards a Sustainable Supply Chain.

The program aims to:

(1) Drive sustainable procurement within the supply chain of ONE URC with the goal of having 100% of the Suppliers disclose their sustainability goals by 2030 in compliance with its Supplier Code of Conduct

(2) Promote sustainable resource use of commodities and strengthen partnership goals with suppliers targeting sustainable sourcing of 100% key ingredients

(3) Engage in community development and promote sustainable agriculture method and practices.

The principle of Sustainable Procurement revolves around 7 core subjects: organizational governance, human rights, labor practices, environment, fair operating practices, consumer issues and community involvement and development. The company started the program by performing internal gap assessment on compliance with these 7 Core Subjects of Sustainable Procurement while doing peer reviews and Benchmark Analysis.

It then created a set of sustainability disclosure questionnaires based on these and rolled out the questionnaires together with the cascade and roll-out of the Supplier code of conduct during its 1st ever virtual supplier forum last August 5, 2022, which was attended by more than 270 suppliers.

During this session, the company presented its key focus areas and priorities highlighting the role of suppliers as partners towards achieving the targets especially in Climate Action and Sourcing.

In November 2022, it conducted a follow-through supplier engagement session with the same audience as part of the company's Sustainability Month Celebration.

At that time, Suppliers such as Kerry, Givaudan, and Cargill were invited to share their company's best practices related to Climate Action and Responsible Sourcing. Key experts were also invited to talk about the basics of Net Zero by 2050 Targets and Green House Gas emissions to equip the audience with basic knowledge and information in their GHG emissions calculations and how they can also start their climate action journey. Internal experts from URC also presented the current energy efficiency and carbon reduction programs and initiatives in the company and the sourcing initiatives and roadmaps.

Lastly, the session ended with discussions on the next steps and how to move forward with the programs.

**Risks, Opportunities, and Management Approach**

**Risks:** Reputation Risks, Regulatory Risks, Supply Chain Risks, Market Risks, and Governance Risks

URC commits to the highest standards of legal, environmental, ethical and social responsibility. The company commits to promote responsible sourcing of raw and packaging materials, demonstrate environmental stewardship and enable sustainable development of communities where the company operates. The company aims to create and contribute shared success with its stakeholders. Towards this goal, the approach will be a collaboration with suppliers to continuously improve its sourcing activities. By 2030, the company's vision is to 100% responsibly-sourced key ingredients such as palm oil and chipping potato and 50% responsibly-sourced for coffee beans and cocoa.

URC will transform towards a sustainable value chain through sustainable raw materials, sustainable supply chain, sustainable farming and climate protection programs. The company integrates responsible sourcing into the corporate sourcing strategy, business practices and Supplier Code of Conduct and leverage other sourcing functions to drive responsible sourcing practices. It will conduct formal risk and materiality assessment to identify and prioritize risks and impacts in the supply chains.

The company aims to positively contributes to the UN SDGs 8, 9, & 11 through the programs and activities mentioned above.

## Relationship with Community

### Significant Impacts on Local Communities

| Operations with significant impact on local communities: AIG Kabalikat Program |
|---|
| URC's Agro-Industrial Group (AIG), consolidated under Robina Agri Partners (RAP), initiated the Kabalikat Program in a bid to transform the lives of people in the host communities. The program leverages on AIG's expertise in farming operations to teach locals proper hog raising and other farming practices. It is part of URC's thrust to promote training, lifelong learning, and livelihood opportunities.<br><br>AIG's Kabalikat Program, which started in June 2014 with the Uno+ Kabalikat Farms (Kfarms), provides farmers, especially hog raisers, knowledge on the latest farming technology and management practices. The program hinges on the principles of being a "kabalikat" (partner), both to consumers through the promise of "kalidad" (quality), and to partner farmers through "kita" (profit). Through the Kabalikat Program, the company demonstrates that AIG is not just an ordinary supplier of quality feeds and veterinary medicine, it is also a "kabalikat sa pag-unlad" (partner in progress).<br><br>Managed by the Marketing Team of AIG, the program was initially conceptualized as a brand-building program which, through community engagement, created positive learning experiences for the farmers and their local communities. Through their testimonials, the company's partner farmers themselves became AIG's brand ambassadors. The company also teaches its partner farmers bio-security systems so that they can protect their animals against diseases or harmful biological agents; this, in turn, also ensures that their meat products are clean and safe for human consumption.<br><br>Knowledge transfer is done through lectures and discussions with AIG personnel and through hands-on training and on-site practice in AIG farms. AIG technicians also conduct weekly monitoring to ensure the continuous learning of the company's partner farmers, and to also motivate them to implement the best practices they just learned.<br><br>In 2022, amidst persisting threats on biosecurity affecting the hogs and poultry industry, AIG heightened its Kabalikat services to partner farms, raisers and end-users through its latest **Protect Kabalikat program** – a specialized technical initiative latched on biosecurity drive, matched with various customer engagement and technical support programs. A pioneering team led by veterinarians called the Kabalikat Protect Team was also developed to concretize AIG's expertise in customer-oriented technical services.<br><br>The creation of Protect Kabalikat as well as the establishment of its team of veterinarians have ensured that AIG proactively supports the needs of customers and urgently provides technical assistance to the partners all over the country.<br><br>Nationwide Protect Kabalikat efforts were rolled out, offering technical expertise including free consultation services, as well as Protect Kabalikat e-learning series sharing of skills and knowledge in health, sanitation and overall biosecurity measures. Specialized services were tailor-fitted to specific areas based on their ASF and AI zoning requirements, with rendered assistance such as biosecurity audit, disinfection drive, free vaccination and deworming administration, plus round table seminars to end-users and raisers. |

| Operations with significant impact on local communities: AIG Kabalikat Program |
|---|
| Throughout 2022, the Kabalikat Protect Team was able to extend services to 15 districts all over the country, rendering at least 700 consultation and round table discussions to various customers and end-users. The impact of Kabalikat Protect has ensured the continuous viability of AIG's initial Kabalikat Farm program which currently stands at 357 hog Kfarms, 276 Gamefowl Kfarms, and 241 K-kennels nationwide.<br><br>With these continuous support towards biosecurity knowledge and measures, assistance in repopulation, and heightened customer-oriented technical services provided to partner farms, kennels, raisers and end-users nationwide, AIG was able to concretize being the pioneering Kabalikat to all agri-partners and stakeholders.<br><br>This program positively contributes to the UN SDGs 4,8,9 and 11.<br><br>**Location:** Nationwide<br>**Vulnerable groups:** Hog Raisers and farmers<br>**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups<br>**Community rights and concerns of communities:** The program leverages on AIG's expertise in farming operations to teach locals proper hog raising and other farming practices. It is part of URC's thrust to promote training, lifelong learning, and livelihood opportunities.<br><br>**Mitigating Measures:** The program and its execution have no significant negative impact; hence, requires no mitigating measures. |

| Operations with significant impact on local communities: SURE Project Salig |
|---|
| Project Salig is a program of URC SURE that started in 2019 with the aim to develop partnership with sugarcane planters in districts where URC sugar mills operate. "Salig" is a Visayan word for "trust"; hence, the program aims to create partnership based on trust. In order to gain the trust of planters and make URC sugar mills their "mill of choice", the mill endeavors to address major areas of concern for the planters – sugar recovery (LKgTC) and farm yield (tons cane per hectare), turn-around of hauling trucks during the milling season and customer service provision.<br><br>Project Salig is composed of the following programs:<br>1. Planter Partnership – entering into a partnership with sugarcane planters. Under this program, the mill will assist planters to improve the overall sugarcane farming practices so that the end result is an improved farm productivity and income. The program includes educating planters on correct farming practices, use of high yielding sugarcane varieties, access to farming resources that includes farm equipment, hauling logistics, fertilizer, etc. In return, the planter commits to support URC by delivering his canes to the mill.<br>2. Customer-Centric Culture – planters were, in the past, considered as suppliers of canes only; hence, the mindset is to treat planters the way the company treats all suppliers. The program aims to redirect the mindset towards a culture of partnership where the planters are considered partners in the industry.<br>3. Plant Efficiency and Sugar Recovery – one of the measures of a good sugar miller is the high LKgTC or the high sugar recovery of the mill which planters will likely patronize. The program is about improving plant efficiency and recovery by undergoing good off-season repair of the equipment and machinery, and investing on equipment that will deliver high performance. This will lead to the production of high-quality products that can command good price. |

**Operations with significant impact on local communities: SURE Project Salig**

4. Truck Turn-around – faster turn-around means more canes delivered to the mill, faster harvesting, lower cost in transporting canes, and high utilization of cane hauling trucks. Slow turn-around is caused by a lot of factors such as mill breakdown/stoppages and slow milling rate. The program looks into ways and means of improving turn-around of trucks during the milling season by ensuring good off-season repair, eliminating inefficiencies in the system of receiving and accepting cane deliveries, and increasing milling rate by installing new equipment.
5. One Stop Shop (OSS) – this program is designed to create a hassle-free, friendly, value-adding system when planters transact with the mill.

In 2022, an approval for a trial run production of 3,000 kgs of Bio-Organic fertilizer, from a mix of manure, spent wash, and old bagasse, was secured to be carried out in URC SURE - La Carlota with the help of third-party technical service provider.
Nitrogen, Phosphorus and Potassium (NPK) which are primary nutrients in fertilizers and other parameters will be tested to ensure the quality of the fertilizer before to deployment to farm for trial use.

This program positively contributes to the UN SDGs 8,9 and 11.

All of the above leads to one thing – making URC mills the mill of choice of planters.

**Location:** The project was implemented in all URC sugar mills across the country – Negros Occidental, Negros Oriental, Iloilo, Batangas and Cagayan Valley

**Vulnerable groups:** local small/marginal sugarcane farmers, especially the agrarian reform beneficiaries

**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups

**Community rights and concerns of communities:** The project provides technical and, at times, financial assistance to sugarcane planters to improve their farm productivity, increase sugar recovery, and enhanced customer service. This delivers a long-term impact to the lives of the sugarcane farmers. By partnering with the mill, the planter will have access to various assistance programs such as technical seminars on good farming, access to high yielding variety sugarcane, farm equipment and hauling services, and financial loans.

**Mitigating Measures:** The program and its execution have no significant negative impact; hence, requires no mitigating measures.

**Operations with significant impact on local communities: Flour Flourish Pilipinas**

In partnership with the Department of Education (DepEd), the Flour Division of the company has developed Flourish Pilipinas in 2018 to provide support to public school teachers and students by increasing accessibility to a wide range of multimedia tools that are more interactive, standardized, and cost-effective.

| Operations with significant impact on local communities: Flour Flourish Pilipinas |
|---|
| In 2020, the company have transformed the face-to-face training on effective use of Bread and Pastry Production (BPP) Multimedia Toolkit for Teachers into an online learning platform in compliance to the safety protocols being followed during the COVID-19 pandemic. The online training scheduled September 18 and 25, 2020 has been attended by twenty (20) Senior High School Teachers identified by the DepEd Regional Office. While only 20 participants were accommodated during the live training, recorded training videos may be accessed by all BPP Teachers on a Moodle learning platform for one year.<br><br>This year, Flourish Pilipinas 2022: The CEO Initiative conducted a baking business competition to support young Filipino bakers who dream of becoming future CEOs of their own baking businesses. During the competition, six finalists made it to the final phase where they presented their business plans to a panel of experienced entrepreneurs.<br><br>Two grand winners were awarded with start-up online bakery packages worth P200,000 each. The first and second runners-up were given start-up packages worth P100,000 and P50,000, respectively. All the winners received top-of-the-line baking equipment, high-quality ingredients, and access to the industry network.<br><br>The company contributes to the UN SDGs 8,9 and 11 through this activity.<br><br>**Location:** Participants joined the online training via Google Meet<br><br>**Vulnerable groups:** Teachers and students in public schools across the Philippines<br><br>**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups.<br><br>**Community rights and concerns of communities:** The training of these teachers under the Flourish Pilipinas Project is the next step of the pioneering efforts to support the country's baking industry and enhance the skills of bakers and future bakers.<br><br>**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures. |

| Operations with significant impact on local communities: Sustainable Potato Farming |
|---|
| URC partnered with the Department of Agriculture to implement Sustainable Potato Program to help the local farmers increase their yield and scale-up productivity. URC provided high quality chipping potato seeds as farm inputs to selected potato farming communities.<br><br>Since the program started in 2019, URC has distributed more than 365 tonnes of Granola potato seeds to 2,700 farmers from selected cooperatives in the Cordillera Administrative Region, Davao del Sur and Bukidnon. It provided these farmers cooperatives a total of PHP 350 million net income to date.<br><br>The high yielding quality seeds continue to provide livelihood to the farmers. A portion of the harvest was sold and provided an average income of Php135,000 income per farmer per planting cycle. The other portion was kept as seeds to sustain the next farming cycle.<br>**Location:** Benguet, Mt. Province, Bukidnon and Davao del Sur<br><br>**Vulnerable groups:** local small-scale farmers |

| |
|---|
| **Impact on Indigenous peoples:** No particular negative impacts to indigenous groups<br><br>**Community rights and concerns of communities:** The program allows the stakeholders to exercise their rights to have access to a means of livelihood. It delivers long-term impact to the lives of the local Potato farmers in different regions. The Program put into action the Conglomerate's mission of "making the Filipino lives better".<br><br>**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures. |

| **Operations with significant impact on local communities: COVID-19 Response** |
|---|
| URC-wide initiative to help fight COVID-19, several donation drives were conducted across different business units including international facilities in Malaysia, Thailand, Indonesia, and Vietnam. Donation includes but not limited to alcohols and medical kits for medical workers, COVID-19 patients, and front-liners including URC employees.<br><br>**Location:** Philippines, Malaysia, Thailand, Indonesia, and Vietnam<br><br>**Vulnerable groups:** Front line workers, hospital staff, COVID-19 patients, and employees<br><br>**Impact on Indigenous peoples:** No particular negative impacts to indigenous groups<br><br>**Mitigating Measures:** The operations have no significant negative impact, hence it requires no mitigating measures. |

## Customer/Consumer Management

**Customer/Consumer Satisfaction**

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|---|---|---|
| Customer Satisfaction | The company participated in the Advantage Report, which shows the performance of suppliers as evaluated by retailers. URC BCF Philippines ranked 2nd out of 25 in 2022, an improvement from 5th the previous year. | Y |

Note: URC defines its customers as the trade (key accounts & distributors)

| **Impact and Risks: Where they occur, URC's involvement, stakeholders affected** |
|---|
| **Impact to stakeholders:** Customer management program is fundamental to URC as it shows the ability of the company to deliver delight to customers despite enduring changes. With this program, process improvement initiatives are driven leading to an enhanced internal and end-consumer experience, improved top-line and bottom-line results.<br><br>**Customers:** URC's customer management program continuously aims to satisfy their customers by enabling direct interactions - understanding the customer profile, their business and shopper needs, and what will make them more satisfied. This program empowers the organization to leverage on positive |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| customer experiences based on relevant and real-time information that matters to the business, and these customer relationships will greatly affect the terms of agreement and discount rates. Gathering and analyzing the voices of consumers through customer satisfaction matters to URC as improvement of this metric will increase consumer loyalty to the brand and will drive business growth.<br><br>**Sales Volume:** Sales volumes will be affected if trade partners and consumers will cease to patronize URC products should there be any negative or sub-par perceptions on quality and food safety and servicing capabilities.<br><br>**Brand reputation:** Brand reputation will be impacted given that social media is being used nowadays as a public forum by customers to air any feedback that they may have on any brand/product. With URC's vast footprint in the region, any negative perception shall impact not only in a certain country, but across the ASEAN region as well.<br><br>**Value Chain Impact:**<br><br>**Direct Operations:** The way the company manufactures its products impacts its food safety and quality standards. It will continue to reinforce quality and food safety controls that are already in place.<br><br>**Suppliers:** Input materials that the company uses from its suppliers will be questioned. URC will continue to partner with its suppliers to ensure that standards are upheld all the time.<br><br>**Risks:**<br>• The possibility of increased product complaints due to unsatisfied consumers impacting lower product patronage<br>• The possibility of lower product patronage coming from consumer preference for the original product versus the reformulated product to meet the set wellness criteria |
| **Management Approach for Impact and Risks** |
| **Customer Satisfaction Survey:** URC's sales team performs a regular customer satisfaction survey with its key accounts in the modern trade channel.<br><br>In addition, the company participated in the Advantage Report in the Philippines and showed improvement from ranking 5$^{th}$ in 2021 to 2$^{nd}$ in 2022. The report is useful in tracking how the company fares in certain metrics, identifying opportunities to improve, leading to better engagement and collaboration.<br><br>**Customer Management:** URC's well-established distribution network and relationships with its accounts ensure that the goods reach the consumers promptly. The company always aim to be a partner of choice of its customers, offering a broad portfolio of products reaching multiple price points.<br><br>The company's distribution is divided between modern trade, traditional trade and digital commerce. Note that this classification may vary in emerging, frontier, and developed markets. Modern trade channels are composed of nationwide chains of convenience stores, supermarkets, modern wholesalers, and some drug stores where the company engages in account management through their national headquarters. It distributes in two ways, directly to the accounts'consolidated warehouses, and from there, it will be distributed internally to the accounts' respective channels or outlets or we directly serve straight to their outlets. |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| In Traditional Trade, the company works with regional distributors who distribute to channels like Sari-Sari Stores (mom and pop stores), market stalls, and smaller chains of mini-marts, groceries and big local supermarkets. The company strategically hand-picks its distribution partners, ensuring that each has significant coverage and expertise for a seamless flow of goods to trade and until it reached the consumers. |
| **Innovation and Consumer Insighting:** The company believes that customer focus and continuous product innovation play a crucial role in the future of the business. Consumers today are evolving and are more discerning with the emergence of new global trends in snacking and drinking.<br><br>The competitive dynamics have also changed, with both global and domestic players offering a wide range of choices across different product categories and channels. This requires the company to be more proactive and customer-focused on gaining insights that will, in turn, feed into its innovation portfolio management process. |
| **Opportunities & Management Approach** |
| **Joint business planning with customers** (distributors and accounts)<br><br>**Customer Management:** The company is closely working with its distributors and key accounts through joint business planning and regular collaboration to ensure that it satisfies their needs. URC's planning also involves initiatives on how to grow their business further and continuously get inputs from their customers to look for opportunities on programs and product innovation also aligned to the UN SDGs 8 and 9. |

**Product Health and Safety**

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on product or service health and safety | 0 | # |
| No. of complaints addressed | 0 | # |

Note:
- Information includes data from BCF-PH only

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:**<br>As a food and beverage manufacturer, URC's vision is to provide brands of exceptional quality and value to its consumers. The company is committed in upholding the quality and food safety of the products to ensure that they will not be compromised. The entire business will be adversely affected should there be a valid quality and food safety concern.<br><br>**Risks:**<br>The company may be exposed to reputation risks. Given the role of social media in the lives of people, it cannot control its consumers to post unhappy online feedback about the products. What the company does is to make sure that it attends to their complaints promptly and address any dissatisfaction issues immediately. |
| **Management Approach for Impact and Risks** |
| The company did not face any product recalls due to product safety issues in calendar year 2022. As a company, it aligns with the rules of DTI regarding product recalls. URC is continuously upgrading its Quality and Food Safety Standards based on updated global guidelines. The company has an internal measure, Process Conformance Index that ensures outgoing product quality will be within the expectation of the consumers. |

The company ensures that 100% of its products conform to standards and quality measures as prescribed by the regulators. These include the Philippine Food and Drug Administration (FDA), Department of Health (DOH), among others. As a company, it adheres closely to the Philippine Food Safety Act (Republic Act or R.A. 10611) that protects consumer health and safety. Regulatory compliance encompasses product registration, sale, inspection, labeling, and marketing as part of its license to operate and furthermore, facilitates ease of doing business.

Across its operations, 100% of URC's product categories undergo a stringent quality assurance process. Equipped with efficient systems and an empowered team, it follows the URC Quality and Food Safety Plan at each stage of production as it delivers innovative and exciting products.

**End-consumer management:** URC's customer relations policy and procedures ensure that its consumers' welfare is protected, and their concerns are well-addressed. The company has a customer care group dedicated to communicating directly with its consumers, and it has a sales account management team dedicated to responding to the needs and concerns of its accounts.
The company also have guidelines and procedures on how it attends to and addresses all types of complaints received from calls, e-mails, social media, and even walk-in complainants. It made sure that it is aligned with the Consumer Act of the Philippines. Once a complaint is received, Quality Assurance is immediately notified and an investigation is triggered for us to appropriately respond to the consumer/customer. URC's Refiller Management Services team is also notified about complaints that were due to possible deviations in product handling and display guidelines.

Any expression of dissatisfaction is taken, whether valid or not, as an opportunity for the company to enhance existing controls further.

**Quality Management:** The company is continuously upgrading its Quality and Food Safety systems based on updated global standards and according to internal policies and procedures set by the company. To strengthen this imperative, programs such as 1-URC Quality and Food Safety Management System and Hygiene Zoning were designed, developed, and will be launched. The Quality Assurance team also verifies the compliance of Supply Chain, Manufacturing, and Distribution facilities through a robust internal audit program that encompasses a risk-based and continual improvement approach.

**Opportunities & Management Approach**

Operationalizing URC's commitment to improve choices in its product portfolio with quality, healthy and nutritious choices, the company sees more opportunities to have a more robust consumer-in-sighting and stakeholder engagement towards the realization of 100% Quality and Food Safety Certifications.

The company is continuously upgrading its Quality and Food Safety Standards based on updated global guidelines and scaling LEAN across its facilities. We also see an opportunity to establish better customer and end-consumer experience through new capabilities such as digital and data, customer care, and product/services mechanisms.

**Management Approach:**

**Innovation and Consumer Insighting:** The company started a new approach with the Innovation Process Management – with a scope from ideation to execution. The risk assessment and mitigations associated with quality, regulatory, safety, IP etc. are covered through this process.

**End-consumer Management:** The company benchmarks best in class customer experience management from end-to end, capitalizing on the use of data and digital channels.

| |
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| |

**Marketing and Labelling**

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on marketing and labelling | 0 | # |
| No. of complaints addressed | 0 | # |

Note: - Data from BCF-PH only

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:**<br>Proper labelling is both a regulatory mandate and a responsibility to the company's consumers. The company have to be transparent in what is declared on its product labels.<br><br>**Risk:**<br>Regulatory mandated product recall and grievances from consumers towards transparency that may lead to risks in brand and product reputation. |
| **Management Approach for Impact and Risks** |
| The company adheres closely to the Philippine Food Safety Act (Republic Act or R.A. 10611) that protects consumer health and safety. Regulatory compliance encompasses product registration, sale, inspection, labeling, and marketing as part of its license to operate and furthermore, facilitates ease of doing business.<br><br>URC ensures that it fully complies with regulatory labeling and product information requirements and implement the required analysis for nutritional facts and claims.<br><br><br> |


| **Opportunities & Management Approach** |
| --- |
| The company will continue to do benchmarking versus peers and best practices in terms of marketing and labelling in its products. |

**Customer/Consumer Privacy**

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on customer privacy | In URC, its customers are defined as key accounts and exclusive distributors. It will ensure that the account management process handles account/customer information with strict confidentiality. Therefore, this area is not applicable. | # |
| No. of complaints addressed | | # |
| No. of customers, users and account holders whose information is used for secondary purposes | | # |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| In URC, its customers are defined as key accounts and exclusive distributors.<br><br>**Impact:**<br>Direct operations starting with the sales team since they are the customer facing unit of URC. Customer information are confidential in both the key account customers in modern trade (ex. large grocery chains, convenience stores, modern wholesalers) and exclusive regional distributors in traditional trade.<br><br>The company interfaces and manages its customer information through a key account manager in modern trade while in traditional trade, the sales team manages each of its distributors through regional or area sales managers.<br><br>**Risk:** Breach in information which may result in trust issues with key accounts or distributors. |
| **Management Approach for Impact and Risks** |
| The company closely works with its customers and values having strong working relationships with them. Its customers are always involved and referenced to in the business processes from planning to fulfillment making sure that they are treated as strategic partners rather than transactional only. The account management process handles account/customer information with strict confidentiality. |
| **Opportunities & Management Approach** |
| The company has an opportunity to leverage on digitalization, wherein the processes the customers (key accounts and distributors) are doing shall be directly linked to the system. |

**Data Security**

| Disclosure | Quantity | Units |
|---|---|---|
| No. of data breaches, including leaks, thefts and losses of data | 0 | # |

| Impact and Risks: Where they occur, URC's involvement, stakeholders affected |
|---|
| **Impact:** As URC increasingly adopts digitalization to improve customer experience and increase efficiency in internal operations, there is greater need to invest in securing the network from cyberattacks.<br><br>**Stakeholder:** Management, Employee, Customer/Consumer, Supplier/Business Partner<br><br>**Risks:** Digitalization of URC transactions put us at risk of data breaches, IT security issues and unauthorized access of company data. The loss of critical information assets can lead to a loss in the |

| |
|---|
| company's competitive advantage, customer confidence and reputation. This can significantly affect the overall status of the business. |
| **Management Approach for Impact and Risks** |
| The company is committed to ensuring that information assets of the business including the customers' and employees' personal information are adequately secured against relevant risk by establishing, maintaining and continuously improving its Information Security Management Systems (ISMS).<br><br>The ISMS aim to ensure the confidentiality, integrity and availability of information assets, reduce the risk associated with unauthorized disclosure and/or damage to vital information maintained across the company. It is centrally governed in order to have a single accountable entity for driving an information security culture across the conglomerate. It is also aligned with the global practice such as ISO 27001:2013 and NIST Cybersecurity Framework (Risk-Based) that assures controls implemented are adequate for the needs of the business.<br><br>URC employees undergo training to conform to the ISMS to better manage data security, and also use IT tools to monitor and strengthen network access controls. There are also tools that push operating system security patches to computers and servers in the network, so that employees can focus on what they do best.<br><br>Lastly, we have systems in place that allow the company to manage System Admin accounts, such as rapidly deactivating accounts of SysAds who will be separating from the company. |
| **Opportunities & Management Approach** |
| URC aims to continue improving data privacy protection by adopting the Zero Trust Security Framework and through continuous development of technology solutions, periodic risk assessments, and personnel training in the future. We aim to improve further by implementing an Identity Access Management (IAM) Tool and enhancing the perimeter security of URC by providing firewall devices that are equipped with advanced threat protection on all URC sites.<br><br>With the roadmap of shifting to the cloud comes also enhancing the infrastructure from the classic TCP/IP to a mature SD-WAN (Software-Defined Wide Area Network), where all connectivity is intelligent enough from blocking to balancing and prioritizing network traffic, thus delivering a more robust and most reliable network platform. |

## UN SUSTAINABLE DEVELOPMENT GOALS

### Product or Service Contribution to UN SDG

Key products and services and its contribution to sustainable development.

| Key Products and Services |
| --- |
| Branded Snack foods and Beverage |
| **Societal Value/Contribution to UN SDG** |
| For more than 65 years, URC has produced high-quality snack foods & beverages with exceptional value. Currently, its portfolio is driven by convenience, on-the-go, ready-to-eat, ready-to-drink, indulgence, and play.<br><br>**Snack foods:** URC provided access to high quality and western snacks like real potato chips at a more competitive price. Today, Jack n Jill is a household brand that Filipinos continue to love.<br><br>**Coffee:** URC revolutionized the coffee mix market when URC launched Great Taste White Coffee and shifted the market significantly from instant to coffee mixes. Today, the coffee mix category has become an integral part of Filipinos lives, especially to the working class, and white coffee is the most significant sub-segment.<br><br>**Ready-to-drink Tea:** C2 has been thriving against sodas/carbonated beverages when it was introduced as an alternative to consumers, given that consumers have already started to shift towards better for you choices. C2 is made from real tea leaves that are brewed and bottle the same day.<br><br>**Noodles:** The noodles business is a joint venture with Nissin of Japan, and it’s currently the #1 cup noodles brand in the market. It provided the working-class meal substitute on-the go, especially workers and millennials in tier 1 cities. We also have noodles in pouches from its Payless brand, and we believe that addresses social issues in hunger, especially in times of calamities, emergencies, pandemic, and financial crisis.<br><br>**Bottled Water:** The bottled water brand Refresh is tagged as one of the basic goods by DTI. Through refresh, URC provides an additional supply of clean drinking water on-the-go, which is essential in times of calamities and emergencies. |
| **Potential Negative Impact of Contribution** |
| **Regulatory concerns towards wellness:**<br>As a food and beverage manufacturer, we believe that consumers are changing fast due to emerging trends brought by the growing middle-class population in the region.<br><br>It was initially thought that the wellness criteria will be achieved 5 to 10 years from now, but it’s already happening. As you can see in 2018, the government previously imposed an excise tax on a sweetened beverage while some schools started to ban snacks and some types of beverages that did not pass the nutrition standards of DepED.<br><br>**Issues concerning Single-Use Packaging**<br>Issues towards single-use plastics and ocean waste have been very visible in the last 2-3 years. The public has turned their eyes towards FMCG manufacturers as a source of the problem |

**Management Approach to Negative Impact**

In 2021, the URC Wellness Criteria was revised to make it applicable for all countries we operate in. It was revised using the WHO guidelines and the nutritional/ health data of ASEAN population. The criteria also reflects the range of the categories we operate in; and in the context that our portfolio is a part of the overall diet of our consumers.

A. Criteria guiding Risk reduction

1. Threshold for Total Fat: No more than 30% of the total energy per serving and No more than 10% SaFa of the total energy (WHO 2016
2. Threshold for Sugar: Less than 6% Added Sugar in Beverages & ≤10% of Total Kcal per serving for other products (WHO SSB)
3. Threshold for Sodium: 1mg Sodium per Kcal per 100g product or per serving (WHO 2012/2016)
4. Zero Trans Fat & Zero Cholesterol
5. ≤ 230 calories per serving of snacks and beverages (WHO 2016)

B. Criteria guiding Enhanced Wellness

1. Products addressing micronutrient deficiency (Such as: Iron, Iodine, Zinc, Folate, Vitamin A and D as source) (CDC Micronutrient Facts 2021 / PAHO-WHO 2016 Nutrient Profiling)
2. Acceptable Macronutrient Distribution Range (AMDR) [Carbohydrate (55-70%), protein (10-15%) and fats (20-30%)] (National Academy of Science, FNB of the Institute of Medicine 2002/2004)
3. 100% Natural Ingredients (Recognizable ingredients, naturally sourced, minimally processed. Free from artificial flavors / artificial colors / artificial preservatives / or synthetic additives.)
4. 100% Plant based proteins
5. Products using functional quality ingredients to improve wellness (Such as Protein, Fiber, Bioactives as source)

Total URC Wellness Score for 2022 using updated criteria showed 100% of total products passed 1 URC Wellness Criteria, 98% passed 2 URC Wellness Criteria, 90% passed 3 URC Wellness Criteria and 41% passed 4 URC Wellness Criteria.

At the end of 2022, we have in our product portfolio a significant number of products well within most of the Risk Reduction Criteria Thresholds. A total of 210 products or 26% out of 822 products are within Threshold for Total Fat, 44% for Less than 6% Added Sugar in Beverages but <10% of total calories, 99% for <230 Calories/serving, 66% to 1mg Sodium is to 1 Kcal Product, and 91% for 0 Trans Fat and 0 Cholesterol.

For the Enhanced Wellness Criteria, 12% of total products address micronutrient deficiency, 3% for Products using functional quality ingredients to improve wellness and less than 1% for AMDR, 100% Plant-Based Protein and for 100% Natural Ingredients.

As we progress significantly against the Risk Reduction Criteria, we also continue to release new products that enhance wellness. This year includes functional beverages that helps improve immunity and a calorie-nutrient dense biscuit. We launched B45 Coffee Mix with Malunggay as Source of Vitamin C and Zinc, re-introduced Goodday cultured milk drink with paraprobiotic that aids in the enhancement of natural resistance to infection. It comes in 3 flavors Mango, Original and Strawberry. Megamunch is a biscuit that contains 570 kcal to bridge energy and micronutrient gaps during calamities.

All these initiatives contribute to the UN SDG 2.

**Annex 1**

| Old Wellness Criteria | |
|---|---|
| **1** | ll Green & Yellow Rated Product per DepEd Order 13 s 2017 |
| **2** | ess than 6% Added Sugar in Beverages |
| **3** | xisting Products where sodium is reduced by 25% or more |
| **4** | roducts addressing micronutrient deficiency |
| **5** | ess than 100 calories pack |
| **6** | o PHO & SatFat less than 1.5g/serving & Zero TransFat & Zero Cholesterol |
| **7** | )0% Natural |
| **8** | lean Label |
| **9** | )0% Plant-based proteins |
| **10** | roducts using functional quality ingredients to improve wellness |

**Annex 2**

| **Updated Wellness Criteria** | |
|---|---|
| **1** | hreshold for Total Fat: No more than 30% of the total energy per serving and No more an 10% SaFa of the total energy (WHO 2016) |
| **2** | hreshold for Sugar: Less than 6% Added Sugar in Beverages & $\leq$10% of Total Kcal per rving for other products (WHO SSB 2012) |
| **3** | hreshold for Sodium : 1mg Sodium per Kcal per 100g product or per serving (WHO )12/2016) |
| **4** | ero TransFat & Zero Cholesterol |
| **5** | 230 calories per serving of snacks and beverages VHO 2016) |
| **6** | oducts addressing micronutrient deficiency (Such as: Iron, Iodine, Zinc, Folate, Vitamin A id D as source) DC Micronutrient Facts 2021 / PAHO-WHO 2016 Nutrient Profiling) |
| **7** | cceptable Macronutrient Distribution Range (AMDR) [Carbohydrate (55-70%), protein 0-20%) and fats (20-30% but SaFa is less than 10% of total energy)] (National Academy Science, FNB of the Institute of Medicine 2002/2004) |
| **8** | )0% Natural Ingredients (Recognizable ingredients, naturally sourced, minimally ocessed, free from artificial flavors, artificial colors, artificial preservatives, or synthetic lditives regardless of source) |
| **9** | )0% Plant-based proteins |
| **10** | oducts using functional quality ingredients to improve wellness (Such as Protein, Fiber, ioactives as source) |

Note:
New baseline for this criteria will be Dec 2021 data for all URC countries

**Annex 3**

| JG SUMMIT HOLDINGS, INC. | CHAPTER | PROCUREMENT |
|---|---|---|
| | SECTION | SUPPLIER MANAGEMENT |
| | SUBJECT | SUPPLIER ACCREDITATION IMPLEMENTING GUIDELINES |

**I. OBJECTIVES**

1. To provide the implementing guidelines for the supplier accreditation in Corporate Center Units (CCU) and establish the roles of the appointed members of CCU Supplier Accreditation Team (SAT).

2. To implement the transfer of responsibilities of the Corporate Supplier Accreditation Team (Corp SAT) to the Corporate Center Units Accreditation Team (CCU SAT) in accordance with the approved policies on Supplier Accreditation per CORP – 5001.

3. To ensure compliance to the policy that the Company shall purchase only from duly accredited suppliers approved for accreditation by the appointed Business Unit (BU) or CCU Supplier Accreditation Team (SAT).

**II. SCOPE**

This document outlines the procedures to be followed by the authorized CCU personnel or group engaged in procurement and accreditation transactions.

**III. RESPONSIBILITIES**

Following are the responsibilities related to the Supplier Accreditation Implementing Guidelines:

1. **Strategic Procurement Group** shall be responsible for:
   - 1.1. Sourcing and pre-qualifying prospective Suppliers;
   - 1.2. Requesting duly completed Supplier Accreditation Application Form (SAAF) and corresponding supporting documents from the Supplier;
   - 1.3. Accomplishing the Proponent's portion of the SAAF and the Supplier Accreditation Rating Sheet;
   - 1.4. Endorsing the supplier accreditation application packages to the CCU SAT Coordinator; and
   - 1.5. Endorsing the newly accredited Suppliers to Aspen Central Data Management (CDM) Team for Vendor Code creation.

2. **Corporate Center Units Supplier Accreditation Team (CCU SAT)** shall be responsible for:
   - 2.1 Performing the final review and assessment to determine the approval or disapproval of the Supplier's accreditation; and
   - 2.2 Together with the Corporate Procurement Governance (CPG) Team, conducting investigation of endorsed cases that warrants suspension or debarment of a particular supplier.

3. **CCU SAT Coordinator** shall be responsible for:
   - 3.1. Performing initial review of the supplier accreditation application;
   - 3.2. Validating the submitted supplier documents, via available Government and Regulatory sites, as well as endorsing the same to CPG Team for validation through Dunn & Bradstreet;
   - 3.3. Endorsing the supplier accreditation application packages to the CCU SAT Members for review and disposition;
   - 3.4. Releasing the CCU SAT results and accreditation status;
   - 3.5. Maintaining the Vendor Master List; and
   - 3.6. Providing the same to the CPG Team on a monthly basis, for purpose of conglomerate-wide leveraging. Details shall include warranties, terms of payment and type of service.

4. **Corporate Procurement Governance Team** shall be responsible for:
   - 4.1. Validating the Supplier's data through Dunn & Bradstreet and providing information upon request of the CCU SAT Coordinator;
   - 4.2. Maintaining the central repository containing the conglomerate-wide Vendor Master List as well as the list of suspended/debarred Suppliers;
   - 4.3. Together with the CCU SATs, conducting investigation of endorsed cases that warrants suspension or debarment of a particular supplier.;
   - 4.4. Releasing of an Incident Memo in cases of a Supplier's suspension or debarment; and
   - 4.5. Endorsing all suspended/debarred Suppliers to Aspen CDM Team via Master Data Management Tool for system blocking.

5. **Corporate Internal Audit** shall be responsible for performing periodic audits to check and ensure compliance to this policy.

## IV. IMPLEMENTING GUIDELINES

1. The Company shall establish a CCU SAT, with at least three (3) members representing various identified CCU groups appointed by the JGSHI President and CEO, capable of assessing the supplier's overall competencies.

2. CCU SAT may invite Subject Matter Experts (e. g. Technology, Engineering Team), who shall provide technical advice and assistance in assessing the supplier.

11. Suppliers with a Regular Accreditation status from other BUs shall qualify to engage and provide the requirements of CCU, unless otherwise restricted or subject to additional requirements imposed by the other BU SAT.

12. Supplier Accreditation status shall be valid until revoked or suspended/debarred.

13. Investigation shall be conducted by the CCU SAT, with the assistance of the Corporate Procurement Governance (CPG) Team regarding the disposition of endorsed cases that warrants suspension or debarment of a particular supplier. This Joint Investigation Team shall coordinate with other BU SATs to inquire on the performance of the supplier under investigation.

14. CPG Team shall release an incident memo containing the background and the results of the investigation as well as the announcement of suspension/debarment. CPG Team shall consolidate all suspended/debarred Suppliers in a repository.

15. The decision on the Joint Investigation Team s shall be final and valid across all BUs within the Gokongwei Group of Companies.

16. CPG Team shall endorse suspended/debarred Suppliers to ABSI-CDM via Master Data Management Tool for blocking in the system.

17. Suppliers may request for reinstatement course through CCU SAT, if they have already satisfactorily resolved the cause of their suspension or debarment. CCU SAT shall inform CPG Team of such reinstatement.

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