CR02547-2024

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
   Dec 31, 2023
2. SEC Identification Number
   11840
3. BIR Tax Identification No.
   000-100-341-000
4. Exact name of issuer as specified in its charter
   SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES (FB)	5,909,220,090
SERIES A BONDS DUE MARCH 2025 (IN PESO)	8,000,000,000.00
SERIES B BONDS DUE MARCH 2027 (IN PESO)	7,000,000,000.00
TOTAL DEBT AS OF 31DEC23 (IN MIL-PESO CONSO)	186,660

11. Are any or all of registrant's securities listed on a Stock Exchange?
   - (●) Yes
   - ( ) No

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

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

12. Check whether the issuer:

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

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

Php 32,542,744,850 as of March 31, 2024

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.

(•) Yes ( ) No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

N/A

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

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

SAN MIGUEL
FOOD AND BEVERAGE, INC.

San Miguel Food and Beverage, Inc.
FB

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

For the fiscal year ended	Dec 31, 2023
Currency	PHP (in Millions)

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2023	Dec 31, 2022
Current Assets	135,889	132,957
Total Assets	355,775	339,478
Current Liabilities	103,008	90,070
Total Liabilities	186,660	180,405
Retained Earnings/(Deficit)	96,388	89,226
Stockholders' Equity	169,115	159,073
Stockholders' Equity - Parent	109,190	103,286
Book Value Per Share	18.48	17.48

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2023	Dec 31, 2022
Gross Revenue	379,822	358,853
Gross Expense	331,411	310,142
Non-Operating Income	6,505	1,768
Non-Operating Expense	5,038	4,710
Income/(Loss) Before Tax	49,878	45,769
Income Tax Expense	11,773	11,104
Net Income/(Loss) After Tax	38,105	34,665

Net Income/(Loss) Attributable to Parent Equity Holder	23,118	22,263
Earnings/(Loss) Per Share (Basic)	3.91	3.77
Earnings/(Loss) Per Share (Diluted)	-	-

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2023	Dec 31, 2022
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	1.32	1.48
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.81	0.7
Solvency Ratio	**Total Assets / Total Liabilities**	1.91	1.88
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.27	0.29
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.58	0.62
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	11.5	13.94
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	2.1	2.13
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.26	0.27
Net Profit Margin	**Net Profit / Sales**	0.1	0.1
Return on Assets	**Net Income / Total Assets**	0.11	0.1
Return on Equity	**Net Income / Total Stockholders' Equity**	0.23	0.22
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	13.04	17.78

Other Relevant Information

Please see attached SEC Form 17-A (Annual Report) of the Company filed with the Securities and Exchange Commission via email at ictdsubmission@sec.gov.ph on April 15, 2024.

Filed on behalf by:

Name	Alexandra Trillana
Designation	Corporate Secretary and Compliance Officer

SEC COPY

COVER SHEET

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S. E. C. Registration Number

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	A	N	D		B	E	V	E	R	A	G	E	,	I	N	C	.		

(Company's Full Name)

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

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

ALEXANDRA VICTORIA B. TRILLANA

Contact Person

(632) 5317-5450

Company Telephone Number

ANNUAL REPORT

S	E	C	-	1	7	-	A	

Month Day

FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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SEC Number 11840
File Number

SAN MIGUEL FOOD AND BEVERAGE, INC. and SUBSIDIARIES

(Company's Full Name)

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

(Company's Address)

5317-5000

(Telephone Number)

December 31

(month & day)

SEC Form 17-A Annual Report

Form Type

Amendment Designation (if applicable)

December 31, 2023

Period Ended Date

(Secondary License Type and File Number)

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SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2023**

2. SEC Identification Number **11840**

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

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

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

6. ______ SEC Use Only
   Industry classification code

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

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

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

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

Title of Each Class	Number of Shares of Stock Issued and Outstanding and Debt Outstanding (As at December 31, 2023)
Common - ₱ 1 par value	**5,909,220,090**
Series A Bonds due March 2025 (In Peso)	**8,000,000,000**
Series B Bonds due March 2027 (In Peso)	**7,000,000,000**
Total Liabilities (in '000,000)	**P186,660**

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

    Yes (✓) No ( )

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

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

12. Check whether the issuer:

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

    Yes (✓) No ( )

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

Yes (✓) No ( )

13. Aggregate market value (in '000,000) of the voting stocks held by non-affiliates as at December 31, 2023 and March 31, 2024 were P33,871 and P32,543, respectively.

Documents incorporated by reference

14. The following documents are incorporated by reference:

    Please refer to annexes referred to and identified in this document.

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

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

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

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

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

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

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

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

In 2009, Kirin Holdings Company, Limited ("Kirin") acquired a 48.39% shareholding in SMB, of which 43.249% was acquired from SMC and the remaining 5.141% by virtue of a mandatory tender offer and purchase from public shareholders. SMC retained majority ownership of SMB with a shareholding of 51.0%. In connection with Kirin's investment in SMB, Kirin and SMC entered into a shareholders' agreement providing for, among others, corporate governance and approvals, cooperation in the conduct of the business, restrictions on the transfer of SMB shares and other customary arrangements. SMFB adhered to the shareholders' agreement with Kirin and agreed to be bound by the same terms and conditions as a party to the said shareholders' agreement. As of December 31, 2023, SMFB owns 51.16% and Kirin owns 48.54% of SMB.

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

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

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

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

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

<u>Products and Brands</u>

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

SMB markets its beer under the following brands: *San Miguel Pale Pilsen*, which is SMB's flagship brand, *Red Horse, Red Horse Super, San Mig Light, San Miguel Flavored Beer, San Miguel Super Dry, San Miguel Premium All-Malt, San Miguel Cerveza Negra*, *San Miguel Cerveza Blanca, San Mig Zero* and *Gold Eagle*. SMB also produces *San Mig Free*, an alcohol-free, non-fermented beverage with no added caloric and non-caloric sweeteners, as well as *San Mig Hard Seltzer*, an easy-to-drink alcoholic beverage made from sparkling water with alcohol in citrus mix flavor. Further, SMB exclusively distributes *Kirin Ichiban* in the Philippines.

For the NAB business, SMB's portfolio includes *Cali*, a sparkling non-alcoholic drink, *Magnolia*

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Healthtea (ready-to-drink tea), *Magnolia Fruit Drink* (ready-to-drink juice), and *Magnolia Flavored Water* (still flavored water).

San Miguel Brewing International Limited ("SMBIL") and its subsidiaries also offer the *San Miguel Pale Pilsen* and *San Mig Light* brands in Hong Kong, China, Thailand, Vietnam, Indonesia and most export markets, and *Red Horse* in Thailand, China, Hong Kong, Vietnam and selected export markets, in addition to locally available brands: *Valor* and *Blue Ice* (Hong Kong), *Dragon* (South China), *W1N Bia* (Vietnam), and *Anker* and *Kuda Putih* (Indonesia).

SMBIL likewise sells a portfolio of specialty beers including *San Mig Zero* in Thailand, *San Miguel Flavored Beer* in Vietnam, Taiwan and the United States, *San Miguel Cerveza Negra* in Hong Kong, China, Vietnam, Indonesia, Thailand, United States, South Korea and Taiwan, as well as *San Miguel Cerveza Blanca* in Hong Kong, Thailand, Vietnam, South Korea, Singapore and Taiwan, and has recently rolled-out the limited edition *San Miguel Chocolate Lager* in Thailand, Taiwan, Hong Kong and Vietnam.

Meanwhile, as part of its NAB portfolio, SMBIL carries *San Miguel NAB* and *San Miguel Flavored NAB* in Korea and Saudi Arabia.

Spirits Segment

GSMI has a diverse product portfolio that caters to the varied preference of the local market. Core brands *Ginebra San Miguel, GSM Blue* and *Vino Kulafu*, the leading brands in the gin and Chinese wine categories, accounted for 99% of GSMI's total revenues as of December 31, 2023. The other products that complete the liquor business of GSMI comprise about 1% of its total revenues. These products are available nationwide while some are exclusively exported to select countries.

GSMI products are exported to markets with high concentration of Filipino communities such as the United Arab Emirates, Taiwan, India, Cayman Islands, New Zealand, Hong Kong, Saipan Macau and the United States of America. GSMI also produces certain brands that are for export only, which include *Tondeña Manila Rum* and *Añejo Rum 5 Years*.

With the onset of the COVID-19 pandemic in early March 2020, GSMI pivoted its production facilities to produce disinfecting 70% ethyl alcohol and donated over 1.3 million liters around the country. In the third quarter of 2020, GSMI commercially launched *San Miguel Ethyl Alcohol* to provide supply of disinfectant alcohol in the local market as well as help stabilize the price.

Food Segment

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

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

Prepared and Packaged Food

The Prepared and Packaged Food business includes refrigerated meats, canned meats, ready-to-eat meals, dairy, ice cream, spreads, salad aids, and coffee.

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

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

The dairy and spreads business, primarily operated through Magnolia, manufactures and markets a variety of bread spreads, milk, ice cream, salad aids, and flour mixes. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese sold primarily under the *Magnolia, Dari Crème, Star,* and *Cheezee, Quickmelt, Daily Quezo*, and *Buttercup* brands. Dairy products under the *Magnolia* brand include ready-to-drink *Magnolia Fresh Milk* and Chocolait, *Gold Label* ice cream, and all-purpose cream. Flour mixes and salad aids like mayonnaise, sandwich spreads and dressings, are likewise marketed and sold under the *Magnolia* brand. The margarine brands, *Star* and *Dari Crème*, established in 1931 and 1959 respectively, were acquired in the 1990s. Magnolia previously marketed jelly-based snacks under the *JellYace* brand, until said trademark and other trademarks used in the jelly-based snacks business were divested in May 2021. Moreover, Magnolia also used to manufacture and sell biscuits under the *La Pacita* brand until it ceased operations at its manufacturing facility in October 2021. The *La Pacita* brand and other trademarks used in the biscuits business were divested in March 2023.

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

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

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

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

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

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

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

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

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

The Food Segment currently has operations in Vietnam. San Miguel Foods Investment (BVI) Limited, which operates San Miguel Pure Foods (Vn) Co., Ltd. in Vietnam, is a wholly-owned subsidiary of San Miguel Foods International, Limited. It is in the business of production and marketing of processed meats which are sold under the *Le Gourmet* brand. The Company also holds a 75% stake in PT San Miguel Foods Indonesia (formerly PT Pure Foods Suba Indah), which is a joint venture with PT Hero Intiputra of Indonesia, and engaged in the production and sale of processed meats sold under the *Farmhouse* and *Vida* brands, until it ceased operations on October 31, 2021.

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

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

Percentage of Sales Contributed by Foreign Operations

The Group's 2023 foreign operations contributed about 0.34% of consolidated sales.

Distribution Methods of Products and Services

Beer and NAB Segment
SMB markets, sells and distributes its products principally in the Philippines. SMB owns and operates seven strategically located production facilities across the country (Valenzuela City, Metro Manila; Sta. Rosa, Laguna; San Fernando City, Pampanga; Mandaue City, Cebu; Bacolod City, Negros Occidental; Darong, Sta. Cruz, Davao del Sur; and Tagoloan, Misamis Oriental) with an aggregate production capacity of approximately 22 million hectoliters per year and overall utilization rate of approximately 70% in 2023.

SMB believes that it maintains an extensive and efficient distribution system in the Philippines, which encompasses the seven strategically located production facilities across the country and a broad network of sales offices and warehouses, supported by dealerships and third-party service providers. The strategic locations of SMB's production facilities in the Philippines reduce overall risks by having alternative product sources to avert possible shortages and meet surges in demand in any part of the country, and help ensure that the products are freshly delivered to customers at an optimal cost. SMB's products are delivered from any one of SMB's seven production facilities by contract haulers and, in certain circumstances, by a fleet of boats, to retailers and consumers generally within five to seven days from production in the facilities, ensuring the quality and sufficient stocks wherever and whenever SMB products are needed. As of December 31, 2023, SMB's products are distributed and sold at approximately 600,000 outlets, including off-premise, on-premise and e-premise, through over 50 sales offices and approximately 400 dealers throughout the Philippines.

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

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

As of December 31, 2023, SMB, together with its dealers and accounts specialists, had a sales force of approximately 1,800 in the Philippines.

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

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

SMBIL has one brewery each in Indonesia, Vietnam, Thailand, Hong Kong and China, with an aggregate production capacity of approximately 4.4 million hectoliters per year as of December 31, 2023. Third party service providers transport the products produced from these breweries to the customers, consisting of dealers, wholesalers, retail chains or outlets, depending on the market. SMBIL maintains a total sales force of approximately 365 employees in the said five countries with ten sales regions in China (Guangzhou, Greater Foshan), six in Indonesia, seven in Thailand, and five in Vietnam. In Thailand, all local sales are done through the San Miguel Beer (Thailand) Limited's ("SMBTL") marketing arm, San Miguel Marketing (Thailand) Limited, a subsidiary of SMBIL. As of December 31, 2023, international operations account for 10.6% of the total revenues of SMB.

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

Spirits Segment

GSMI primarily distributes majority of its products nationwide to consumers through territorial distributorship by a network of dealers and through their sales offices strategically situated across the country. Furthermore, some off-premise outlets such as supermarkets, grocery stores, sari-sari stores and convenience stores, as well as on-premise outlets such as bars, restaurants and hotels are directly served by GSMI through its Key Accounts Group. GSMI has 92 dealer sites who are responsible for distributing and selling the company's products within a geographical area consisting of specified outlets and 15 sales offices as of year-end 2023. For areas where there are no appointed dealers, GSMI's sales offices directly serve the wholesalers or retailers. GSMI has also made its products available in popular e-commerce selling platforms to further widen distribution reach and channel.

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

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

Food Segment

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

Similar to the Beer and NAB and Spirits Segments, the Food Segment's products are likewise available for purchase in popular e-commerce selling platforms. Consumers may also conveniently shop online in San Miguel Mart (https://www.sanmiguelmart.ph/), a one-stop e-store exclusively carrying San Miguel food, beverage and pet care products, where a variety of such products may be ordered from the comfort of home, for delivery anywhere within Metro Manila and certain municipalities of Cavite and Rizal. Beginning April 2024, San Miguel Mart will expand its reach to meet customer demands in key cities nationwide such as Pampanga, Batangas, Cebu, Iloilo and Misamis Oriental.

Prepared and Packaged Food

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

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

Animal Nutrition and Health

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

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

Protein

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

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

Others

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

Status of Any Publicly-Announced New Product or Service

Beer and NAB Segment

In 2023, SMB launched *Magnolia Fruit Drink Mango,* a delicious and refreshing mango drink fortified with B-vitamins.

SMB also introduced packaging innovations such as 1000-liter bottle for *San Mig Light*, as well as limited-edition cans for *San Mig Light*, *San Miguel Flavored Beer*, *San Miguel Pale Pilsen* and *Red Horse*.

Following the launch in Thailand and Taiwan in 2022, the limited edition *San Miguel Chocolate Lager,* a full-bodied lager that combines the rich taste and aroma of delectable dark chocolate, topped with a creamy head, was introduced in Hong Kong and Vietnam in 2023.

In Indonesia, SMBIL launched *Anker Pineapple* and *San Miguel Cerveza Blanca* in 2023. The latest *Anker* flavor is a low-alcohol beer made with real pineapple extracts, while *San Miguel Cerveza Blanca* is a wheat ale that harmoniously balances spicy, smoky and fruity flavors, with a whiff of citrus and mint.

Spirits Segment
In February 2023, a new-look *GSM Premium Gin* made its way to the market. The upgraded bottle, label and cap designs uplifted the overall perception of the product. This was also intended to target more upscale outlets.

The contemporized bottle and label designs of *GSM Blue* in October 2023 were intended to further boost appeal to young drinkers. Moreover, its *Mojito* in 1-liter format continued commercial expansion in select areas nationwide as trend for group drinking continues to grow.

Food Segment
The Food Segment launched a variety of new products in 2023 that were aligned with the objective of providing delicious and convenient assortment to Filipino families.

New variants under *Purefoods Tender Juicy* were introduced in 2023 such as *Chili*, *Chili & Cheese*, and *Classic Corndog*. Strengthening the *Purefoods Corned Beef* line-up were new variants such as *Salpicao*, *Bulgogi*, and *Mechado*. PHC also launched *Purefoods Luncheon Meat Lite*, while also making the square-can stock-keeping unit (SKU) exclusively available in e-commerce platforms. Meanwhile, affordable canned products and variants under the *Star Nutri-meats* brand were also pipelined in 2023, namely: *Star Ulam*, *Star Ulam Loaf*, *Star Sausage* and *Star Liver Spread.*

SMFI continued to expand its *Magnolia Chicken Timplados* portfolio, a ready-to-cook line packed fresh in *Selyado Sigurado* packs, for delicious, safe and easy chicken-*sarap* meals for the whole family. New variants like *All-Around Giniling, All-Around Pangsahog, Classic Burger, Chicken Proven, Chicken Skin, Chicken Tail, Chicken Halang-Halang* increased the brand’s affordable offering mainly in the general trade to cater to the economy market.

Finally, under its Animal Nutrition and Health business, SMFI launched *B-MEG Premium Super Biik 25kg* as support to the post-African Swine Fever repopulation activities in the smallhold hog raisers. Likewise, the business strengthened its poultry feeds with the introduction of *B-MEG Integra 5000*, a cost-effective maintenance feeds to keep raisers within the *B-MEG Integra* brand, and the rebranding of three SKUs of the *B-MEG* red line into *B-MEG Free Range Chicken Feeds* to provide free range chicken raisers an affordable feed brand. SMFI's pet care business offered an economy line of locally produced dry dog food – *Nutrichunks AlphaPro*. It also entered the dog treats and wellness segments by launching *NutriChunks Protein Sticks* and chewable dewormer *NutriChunks Wormshot*, respectively. Finally, *San Miguel Animal Health Care*, under SMFI’s veterinary medicine business, launched *Surge*, an adulticide as part of the fly control program, and *Vita-Levo*, a liver tonic which improves digestion and absorption of nutrients to support growth and performance of chickens.

Competition

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

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

Beer and NAB Segment
In the Philippine beer market, SMB’s major competitors are Asia Brewery Inc. (“ABI”) and Heineken Philippines Inc. (“Heineken”).

ABI competes mainly through licensed *Colt 45*, a strong alcohol brand which is positioned against SMB's strong alcohol beer *Red Horse,* local *Beer na Beer* which comes in regular and strong variants and positioned in the economy segment, *Brew Kettle* in the mainstream segment, as well as *Brew Kettle Radler* and *Asahi Super Dry* in the premium segment. In 2022, ABI introduced *Paraiso Craft Beer Style*.

Heineken previously had a joint venture with ABI which was dissolved in 2020 and was replaced with a new partnership. Under the new structure, Heineken established a sales and marketing office in the Philippines and engaged with ABI to brew and distribute Heineken beer brands (*Heineken* and *Tiger*) in the country effective January 1, 2021. *Tiger* competes with *Red Horse*, while *Heineken* and *Heineken Silver* compete with SMB's premium beers, and *Heineken 0.0* competes with *San Mig Free*.

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

Meanwhile, in the flavored alcoholic beverages category, ABI offers *Tanduay Ice* and *Spritz Hard Seltzer*. Other competitors include *Smirnoff Mule*, *Lemon-Dou* and *Chill Spiked Spirit.* These products compete with *San Mig Hard Seltzer* and *San Miguel Flavored Beer*.

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

In the NAB market, competition comes from established players in ready-to-drink juice, ready-to-drink tea, carbonated drinks and water categories. For example, *Zest-O* and *Minute Maid Fresh* compete with *Magnolia Fruit Drink,* and *C2* and *Nestea* compete with *Magnolia Healthtea*. *Cali* is positioned in the softdrinks category where *Coke, Pepsi* and *RC Cola* are the key players. Meanwhile, *Absolute*, *Summit*, *Wilkins* and *Nature's Spring* compete with *Magnolia Flavored Water* in the water category.

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

Spirits Segment

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

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

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

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

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

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The spirits industry is dependent on the supply of molasses, the raw material for alcohol production. While the molasses supply has remained stable, the steady increase in demand for bioethanol globally due to increasing ethanol blending policy requirements of different countries, including the Philippines since the implementation of the Biofuels Act of 2006, further worsened the shortage of supply for alcohol beverage production. This led to GSMI's multi-continent sourcing and diversification of alcohol supply to ensure supply security and partly offset higher raw material costs.

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

Manufacturers further compete in the breadth of their distribution network.

Food Segment

Prepared and Packaged Food

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

For butter, competitors include Fonterra Brands Philippines, Inc. (*Anchor*) and New Zealand Creamery, Inc. (*Queensland*). For margarine, Magnolia competes with New Zealand Creamery, Inc. (*Dairy Magic*), San Pablo Manufacturing Corporation (*Minola*), and growing unbranded players. In the cheese category, the main competitor of the *Magnolia* brand is Mondelez International, Inc. (*Eden, Cheez Whiz*, and *Kraft*). In the salad aids category, particularly mayonnaise and sandwich spreads, Magnolia's main competitor is Unilever Philippines, Inc. (*Lady's Choice*, *Best Foods Mayo Magic*). In the ice cream market, Unilever-RFM Ice Cream Inc. (*Selecta*) is the dominant player. Competitors in the coffee-mix business include Nestle SA (*Nescafe*), PT Mayora Indah (*Kopiko*), and Universal Robina Corporation (*Great Taste*).

Animal Nutrition and Health

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

Protein

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

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

Others

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

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

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Purchase of Raw Materials and Supplies

The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. It continuously looks for new principals/traders where strategic raw materials could be sourced, and negotiations are done on a regular basis. The Group has contracts with various suppliers for varying periods, which contracts contain renewal options. The Group, taken as a whole, is not dependent on one or a limited number of suppliers for its essential raw materials and supplies. Hence, operations will not be disrupted if any supplier refuses or cannot meet its delivery commitment.

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

Customers

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

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

Transactions with and/or Dependence on related parties

The Group, in the ordinary course of its business, has entered into transactions with affiliates and other related parties. Transactions with related parties are fair, entered into on an arm's length basis and at market rates. These transactions with related parties are described in Note 30 (Related Party Disclosures) of the Company's 2023 Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Intellectual Property

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

The Group regularly renews the registrations of those brand names, related trademarks and other intellectual property rights already registered, which it uses or intends to use, upon expiry of their respective terms. Maintenance and protection of these brands and related intellectual property rights are important to ensure the Group's distinctive corporate and market identities.

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

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Government Approvals

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

Government Regulation

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

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

The following are noteworthy laws relevant to the Group:

Internet Transactions Act

The Internet Transactions Act (ITA), which took effect on December 20, 2023, aims to provide a comprehensive legal framework to regulate, safeguard and promote e-commerce transactions within the mandate of the Department of Trade and Industry. The law establishes the E-Commerce Bureau, an online business database, and an e-commerce Philippine Trustmark for safety and security in internet transactions. It also outlines the rights and obligations of parties involved in internet transactions, as well as the penalties imposed for violations thereof. Covered online merchants, e-retailers, e-marketplaces and other digital platforms are granted an 18-month transitory period from effectivity of the ITA, to comply with the requirements of the law.

The Data Privacy Act

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

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

The Philippine Competition Act

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

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

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

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

The law aims for a high level of food safety, protection of human life and health in the production and consumption of food, and the protection of consumer interests through fair practices in the food trade. The law provides that the DA and the DOH shall set the mandatory food safety standards, which shall be established on the basis of science, risk analysis, scientific advice from expert bodies, standards of other countries, existing Philippine National Standards and the standards of the Codex Alimentarius Commission, where these exist and are applicable.

Under this law, food business operators are charged with certain responsibilities to prevent, eliminate or reduce risks to consumers. They are further encouraged to implement a Hazard Analysis at Critical Control Points-based system for food safety assurance in their operations.

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

Pursuant to the FDDC Act, food manufacturers are required to obtain a license to operate as such from the FDA before they can validly engage in the manufacture, importation, exportation, sale, offer for sale, distribution, and transfer of food products in the Philippine market. The law further requires food manufacturers to obtain a certificate of product registration for each product it sells in the market before said product is distributed, supplied, sold or offered for sale or use in the market.

To further ensure quality and food safety, the Group adopts various internationally recognized standards such as Food Safety Systems Certification (FSSC), ISO 22000 (Food Safety Management Systems), ISO 9001:2015 (Good Feed Milling Practices), ISO/IEC 17025:2005 (Laboratory Accreditation Program), Good Manufacturing Practices, and Hazard Analysis and Critical Control Points.

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

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

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

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

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

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DA. The Livestock and Poultry Feeds Act also provides branding, labeling and advertising requirements for feeds and feed products.

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

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

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

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

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

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

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

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

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

The Extended Producer Responsibility (EPR) Act of 2022, with DENR Administrative Order 2023-02 as its implementing rules and regulations, aims to reduce the generation of plastic wastes. Under the Act, large-scale companies are required to establish or phase-in EPR programs for plastic packaging which may include activities and strategies for reduction of non-environment friendly products, as well as product waste recovery programs aimed at effectively preventing waste from leaking to the environment. To achieve plastic neutrality, they are also required to meet specific targets to recover or offset their respective plastic packaging footprint generated during the immediately preceding year. For 2023, obliged companies need to recover 20% of the plastic waste that their company has produced from 2022. The target recovery rate is then increased to 40% by 2024, 50% by 2025, 60% by 2026, 70% by 2027, and 80% by 2028 and every year thereafter. The National Ecology Center, a sub-group under the National Solid Waste Management Commission of the DENR-EMB, is responsible for monitoring and evaluating the compliance of obliged enterprises with the Act.

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

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

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

The Anti-Drunk and Drugged Driving Act of 2013

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

The Manual of Procedures and Code of Ethics of the ASC Guidebook

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

Revised Corporation Code of the Philippines

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

Securities Regulation Code

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

Labor

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

Taxation

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

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

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

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

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

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

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

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

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

Research and Development

Beer and NAB Segment

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

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

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

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

Spirits Segment

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

Food Segment

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

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

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

The total amount spent by the Group on research and development for the years 2023, 2022 and 2021 were P631.92, P577.7 million and P480.5 million, respectively. As a percentage of net sales revenues, spending on research and development for the years 2021 to 2023 is approximately 0.2%.

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Cost of Compliance with Environmental Laws

The Group incurred about P412.7 million in expenses for environmental compliance for the year 2023. On an annual basis, operating expenses incurred by the Group to comply with environmental laws are not significant or material relative to the Company and its subsidiaries' total cost and revenues.

Costs for environmental compliance included those necessary to implement initiatives to reduce emission by performing boiler and generator maintenance and cleaning of smokestacks, improve wastewater quality and compliance with general effluent standards by conducting intensive water quality monitoring and performing maintenance and improvement of wastewater facilities, manage solid wastes by implementing segregation at source practices and maintaining their composting, garbage collection and material recovery facilities, and improve quality of environment improvement by planting trees and cleaning rivers and coastlines, which benefited both the operations of the businesses and the well-being of the immediate environment and communities.

The Group also implemented programs that support SMC's Water for All 50X2025 program. In line with SMC's goal to integrate sustainability into its business strategy, the Group is currently putting in place water reduction projects and programs that consistently educate its employees on water stewardship.

Human Resources and Labor Matters

As of December 31, 2023, the Group has a total of 11,107 employees. The Group has seventeen (17) existing Collective Bargaining Agreements ("CBAs") and four (4) existing Collective Labor Agreements ("CLAs").

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

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

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

Under the said retirement plans, all regular monthly-paid and daily-paid employees of the subsidiary are eligible members. Eligible members who reach the age of 60 are entitled to compulsory retirement. The Company's subsidiaries may, however, at their own discretion, continue an employee's membership under the plan on a year-to-year basis after he/she reaches compulsory retirement. Eligible members may opt to retire earlier after they have completed at least 15 years of credited service with the subsidiary. Upon retirement, eligible members will receive a certain percent of their final monthly pay for each year of their credited service. The amount varies depending on the years of service of the retiree. Eligible members may receive certain resignation benefits if they resign before they reach an eligible retirement date, provided they have completed at least five years of service with the subsidiary. The retirement plans are further described in Note 29 (Retirement Plans) of the 2023 Audited Consolidated Financial Statements of the Company attached hereto as **Annex "B"**.

The Company's performance management framework ensures that its personnel's performance is aligned with the standards set by the Board of Directors and senior management. The Company adopts a performance management system and salary review program wherein employees, including executive directors and key officers, are appraised annually on the basis of achievement of specific objectives and key performance indicators, i.e., financial results of the business, short- and long-term business/functional priorities and goals, internal processes and learning and growth, as well as participation in centerpiece projects and critical incidents. Bonuses are determined in accordance with SMC's Business Performance and Annual Incentive Programs, which tracks attainment of the San Miguel Group's earnings targets.

The Company provides avenues for employees to realize their full potential. Professional growth and advancement in their careers can be attained through formal training, opportunities for further education, and other alternative approaches. Through these initiatives, employees become more capable in their tasks, and productivity and efficiency in technical aspects as well as their soft skills are improved. In this regard, various structured in-house and external training are provided to employees.

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

Major Business Risks

Due to its extensive operations, the Group faces both financial and nonfinancial risks daily. To manage risks, policies have been established to identify and analyze the key risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, systems, and processes, as well as practices, are continuously reviewed to reflect changes in market conditions and the organization's activities.

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

The major business risks the Group must contend with are the following:

Competition Risks
The Group operates in highly competitive environments. Competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, customer service and the ability to respond effectively to shifts in consumer tastes and preferences. New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new and updated technologies, cost reductions, unconventional promotional activities, and the reconfiguration of the industry's value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

The principal shareholders of the Company and its subsidiaries can influence the Group's businesses through their ability to control actions that require majority Board of Directors' and/or shareholders' approval.

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

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

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

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

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

The Group's products are primarily sold through dealers and distributors. Although many of these dealers and distributors have been dealing with the Group for many years, and while the Group intends to continuously exert efforts to provide them support, there is no assurance that these dealers and distributors will continue to purchase and distribute the Group's products, or that these dealers and distributors can continue to effectively distribute the Group's products without delays or interruptions. In addition, the financial instability of, contractual disputes with, or labor disruptions at, the Group's dealers or distributors could disrupt the distribution of the Group's products and adversely affect the Group's business.

The Group has relied and will continue to rely significantly on the continued individual and collective contributions of key members of its management team. The key members of the Group's management team have been instrumental in setting strategic direction, operating the businesses, identifying, recruiting, and training key personnel, identifying key expansion opportunities, and arranging necessary financing. In addition, key technical personnel are vital in the manufacture of the Group's products. Some members of the Group management are leaders or members of certain key industry associations in the Philippines, and the Group believes that it benefits from those relationships.

The Group's implementation of strategies to increase its sales volume nationwide and expand its existing production capabilities to support the Group's growing demand for its products involve

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uncertainties and risks. There is no assurance that the implementation of these strategic plans would not have a material adverse effect on the Group's financial condition or results of operations.

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

Health, food and beverage safety and environmental laws and regulations in the Philippines have become increasingly stringent and it is possible that these laws and regulations will become significantly more stringent in the future. The adoption of new health, food and beverage safety and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses to comply with such laws and to maintain current operations. In addition, stringent and varied requirements of local regulators with respect to local licenses and permits could delay or prevent development of facilities and operations in certain locations. Furthermore, if the measures which the Group implements to comply with these laws and regulations are not deemed sufficient by governmental authorities, compliance costs may significantly exceed current estimates, and expose the Group to potential liabilities. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties, as well as orders that could limit or affect the Group's operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations.

In addition, the Philippine government may periodically introduce changes to laws, regulations and/or standards, particularly with respect to (i) health and food and beverage safety laws and regulations which could increase costs and affect the public attitude towards the Group's products; (ii) health and safety laws and regulations which could increase costs (including costs in relation to complying with such laws and regulations) and it may not always be possible for the Group to pass such costs on to its distributors and customers; and (iii) laws and regulations that limit the selling and consumption of products or relating to manufacturing, packaging and labelling requirements, licensing requirements, ingredients, advertising restrictions and standards. Implementation of any such measures could have a material adverse effect on the business, financial condition, and results of operations of the Group.

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

Intellectual Property Risks
The Group owns various brand names and related trademarks and other intellectual property rights to prepare, package, advertise, distribute, and sell its products in the Philippines. On the other hand, the brand names, trademarks, and patent used for some of its products are licensed from SMC. Protection of these brand names, trademarks and intellectual property rights is important to maintaining the Group's distinctive corporate and market identities. If third parties sell products that use counterfeit versions of the Group's brands or otherwise look like the Group's brands, consumers may confuse the Group's products with products that are inferior. This could adversely affect the Group's brand image and sales.

Certain brands and trademarks used by the Group, such as the San Miguel name, escudo and certain marks licensed from SMC can also be used by other members of the San Miguel group (other than the

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Group) or other entities that SMC has licensed them to. Although the Group relies significantly on the San Miguel brand name, it has little or no control over its use by such other parties. As such, the Group's brand image could be negatively affected by product quality or other reputational issues caused by these other users of the brands and trademarks of SMC. Any incident that erodes consumer affinity for the Group's brands could significantly reduce their value and damage the Group's business. Any decrease in the brand equity of the San Miguel brand name could have an adverse effect on the Group's competitive position, sales and results of operations and could materially and adversely affect the Group's reputation and business. Any damage to the Group's brand image caused by other users of the brands and trademarks could have an adverse effect on the Group's sales and financial performance.

In addition, the Group may be adversely affected by news reports or other negative publicity, regardless of their accuracy, regarding quality issues, public health concerns, illness, safety, injury, customer complaints or litigation, health inspection results, processing practices, employee relationships or government or industry findings concerning its operations or operations of third parties engaged by the Group. Similarly, information about the Group posted on social media platforms and similar devices, including blogs, social media sites and other forms of internet-based communications that allow individuals' access to a broad audience of consumers and other interested persons, may be adverse to the Group's interests or are inaccurate, each of which may harm the Group's performance, prospects or business.

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

Political or social instability (including any act of terrorism) in the Philippines or in the markets where the Group operates could negatively affect the general economic conditions and operating environment in the Philippines and in such other markets, which could have a material impact on the Group's business, financial position, and results of operation.

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

The Group's sales are further affected by seasonality in customer purchase patterns. In the Philippines, some products produced by the Group experience increased sales during certain times of the year. As a result, performance in any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and the Group’s financial position and financial performance may fluctuate significantly from quarter to quarter.

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

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

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

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

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

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

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

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

The Group purchases some critical raw materials and technically advanced equipment for capacity expansion from abroad and needs foreign currency to make these purchases. There is no assurance that foreign exchange controls will not be imposed by the government in the future. If imposed, these restrictions could severely curtail the Group’s ability to obtain key raw materials and equipment for capacity expansion from abroad, or to meet the Group’s foreign currency payment obligations, which could materially and adversely affect its financial position and financial performance.

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

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

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

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

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

Credit risk is controlled by the application of credit approvals, limits, and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history. It maintains an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credit extended. Where appropriate, the Group obtains collateral or arranges master netting agreements.

Please refer to Note 33 of the 2023 Audited Consolidated Financial Statements attached hereto as **Annex "B"** for the discussion of the Group's Financial Risk and Capital Management Objectives and Policies.

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

Item 2. Properties

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

The Group owns its major facilities, *i.e.*, beer production facilities, distillery, liquor bottling facilities, flour mills, grain terminal, meats processing plants, ice cream plant, butter, margarine and cheese plant, ready-to-eat plant, and feedmills. A few of its feeds, and most of its poultry and fresh meats operations, however, are contracted out to third parties.

The Group has no principal properties that are subject to a mortgage, lien, or encumbrance, other than those permitted under the trust agreements covering the outstanding fixed rate bonds of the Group in connection with its offer of bonds and agreements covering its long-term debt.

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

For additional information on the Group's properties, please refer to Note 13 (Property, Plant and Equipment), Note 14 (Right-of-Use Asset) and Note 15 (Investment Property) of the 2023 Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

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Item 3. Legal Proceedings

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

For further details on pending legal proceedings of the Group, please refer to Note 37 of the 2023 Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

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

There were no matters submitted to a vote of the Company's shareholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2023.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

Quarter	2023		2022	
	Common		Common	
	High	Low	High	Low
1st	54.95	38.10	71.35	61.10
2nd	50.00	44.00	63.80	45.00
3rd	53.25	44.50	48.75	38.00
4th	53.20	46.05	41.20	34.10

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

Common shares P 49.05 April 2, 2024

The approximate number of shareholders of the Company as of December 31, 2023, is as follows:

Common shareholders 178 stockholders

The Company's top 20 stockholders of common shares as of December 31, 2023, are as follows:

Rank	Stockholder Name	Total Common Shares	% of Outstanding Common Shares
1	San Miguel Corporation	5,245,082,440	88.760993%
2	PCD Nominee Corporation (Non-Filipino)	384,484,538	6.506519%
3	PCD Nominee Corporation (Filipino)	257,782,336	4.362375%
4	Q-Tech Alliance Holdings, Inc.	20,511,400	0.347108%
5	PFC ESOP/ESOWN Account	271,030	0.004587%
6	Cecille Y. Ortigas	228,610	0.003869%
7	Majent Management and Development Corporation	203,700	0.003447%
8	Monaco Holdings, Inc.	100,000	0.001692%

9	Xing Ye	85,200	0.001442%
10	Ramon L. Chua	77,140	0.001305%
11	Ana Maria De Olondriz Ortigas	55,310	0.000936%
12	Pacifico De Ocampo	43,240	0.000732%
13	William Pendarvis	29,370	0.000497%
14	Teodoro Quijano	14,130	0.000239%
15	Principe P. Reyes	14,130	0.000239%
16	Maxima A. Senga	13,050	0.000221%
17	Francis Fernan	12,240	0.000207%
18	John T. Lao	12,000	0.000203%
19	Honesto B. Buendia	11,760	0.000199%
20	Jose Avellana	9,800	0.000166%

As of December 31, 2023, the Company had a public float of 11.23%, as reflected in the Public Ownership Report for the said period.

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

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

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

Fiscal Year	Stock Type	Aggregate Amount (per share)
2023	Common	P2.70
2022	Common	P2.12
2021	Common	P1.70

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

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

On the same date, the stockholders approved the increase in authorized capital stock of the Company, to be filed with the SEC after the latter's approval of the First Amendments, which increase shall be P9,540,000,000 comprised of 9,540,000,000 common shares with a par value of P1.00 per share (the "Increase"), including the amendment of the Seventh Article to reflect the Increase. From the Increase, approximately 44% thereof or 4,242,549,130 common shares with a par value of P1.00 per share (the "New Shares") will be subscribed by SMC. As a result of the Increase, the Company's authorized capital stock will be P12,000,000,000 divided into 11,600,000,000 common shares with a par value of P1.00 per share, and 40,000,000 preferred shares with a par value of P10.00 per share.

Likewise on the same date, the stockholders approved the acquisition by the Company of SMC's common shares in SMB and GSMI (the "Exchange Shares"), with the combined value of P336,349,294,992.60, as consideration for the issuance by the Company of the New Shares from the Increase.

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

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

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

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

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

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

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

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

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

On November 7, 2019, the Board of Directors approved the public offering by the Company in the Philippines of fixed rate retail bonds in the aggregate principal amount of up to P15,000,000,000.00. The proceeds of the offering were intended to be used to redeem the outstanding perpetual series 2 preferred shares of the Company issued in March 2015 (the "FBP2 Shares").

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On February 3, 2020, the Board of Directors approved the redemption of the FBP2 Shares at the redemption price of P1,000.00 per share. According to the Notice of Redemption, including guidelines for the payment of the redemption proceeds issued by the Company for the purpose, the redemption price and all accumulated unpaid cash dividends were to be paid on March 12, 2020, to the preferred stockholders of record as of February 17, 2020.

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

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

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

Description of the securities of the Company may be found in Note 21 (Equity) of the 2023 Audited Consolidated Financial Statements, attached hereto as **Annex "B"**.

As stated in Note 21 of the 2023 Audited Consolidated Financial Statements, the Company's accumulated earnings in subsidiaries are not available for dividend declaration until declared by the respective investees.

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

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

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

The 2023 Audited Consolidated Financial Statements of the Company (with the external auditors' Professional Tax Receipt, name of certifying partner and address) and Statement of Management's Responsibility are attached hereto as **Annex "B"** with the Supplementary Schedules (including the reports of the external auditors on the Supplementary Schedules) attached hereto as **Annex "B-1"**.

The additional components of the 2023 Audited Consolidated Financial Statements together with their corresponding separate report of the external auditors, required to be filed with the 2023 Audited Consolidated Financial Statements under SRC Rule 68, as amended, are hereto attached as follows:

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

Item 8. Information on Independent Accountant and Other Related Matters

A. <u>External Audit Fees and Services</u>

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

The SEC-accredited accounting firm of KPMG R.G. Manabat & Co. ("RGM & Co.") served as the Company's external auditor for fiscal year 2023. Upon the endorsement of the Audit Committee, the Board of Directors approved the nomination for reappointment of RGM & Co. as the Company's external auditor for fiscal year 2024. Representatives of RGM & Co. are expected to be present at the 2024 Annual Stockholders' Meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

Fees billed for the services rendered by RGM & Co. to the Company in connection with the Company's annual financial statements and other statutory and regulatory filings for 2023 amounted to about P1.35 million. The said 2023 audit fees of the external auditor were negotiated and agreed by management upon the authority of the Board of Directors and is among the acts and proceedings for ratification by the stockholders at the 2024 Annual Stockholders' Meeting. No other services were rendered by RGM & Co. to the Company in 2023.

The Company's external auditor is rotated or changed every five (5) years or earlier, or the signing partner of the auditing firm engaged by the Company is changed every five (5) years or earlier, in accordance with the Company's Manual on Corporate Governance. While RGM & Co. has been the Company's external auditor since the fiscal year 2018, RGM & Co. is also the external auditor of SMC. With a common external auditor, the consolidation of results of operations and account balances among the subsidiaries of SMC using a uniform audit approach was and will be facilitated. This notwithstanding, the current signing partner, Mr. Jose P. Javier, Jr., oversaw the external audit of the Company's financial affairs only beginning in the fiscal year 2020.

B. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>

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

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PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the directors and key executive officers of the Company that served as such in the year 2023, and their respective ages, periods of service, qualifications, directorships in other reporting companies and positions in the last five (5) years, are as follows:

Board of Directors

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

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

Roberto N. Huang† *(Term up to November 4, 2023)*
Chief Operating Officer for Beer and NAB Segment
Executive Director
Member, Executive Committee

Emmanuel B. Macalalag
Chief Operating Officer for Spirits Segment
Executive Director
Member, Executive Committee

Ferdinand K. Constantino
Treasurer
Non-executive Director
Member, Audit Committee
Member, Related Party Transactions Committee
Member, Board Risk Oversight and Sustainability Committee

Aurora T. Calderon
Non-executive Director
Member, Audit Committee
Member, Board Risk Oversight and Sustainability Committee *(Elected August 2, 2023)*

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

Ma. Romela M. Bengzon
Non-executive Director

Francis H. Jardeleza
Non-executive Director

John Paul L. Ang
Non-executive Director

Ricardo C. Marquez
Independent and Non-executive Director
Chairperson, Board Risk Oversight and Sustainability Committee

Member, Audit Committee
Member, Corporate Governance Committee

Cirilo P. Noel
Lead Independent and Non-executive Director
Chairperson, Audit Committee
Member, Related Party Transactions Committee
Member, Corporate Governance Committee *(Term up to June 7, 2023)*

Winston A. Chan
Independent and Non-executive Director
Chairperson, Related Party Transactions Committee *(Term up to June 7, 2023)*
Member, Audit Committee
Member, Board Risk Oversight and Sustainability Committee

Aurora S. Lagman
Independent and Non-executive Director
Chairperson, Corporate Governance Committee
Member, Related Party Transactions Committee
Member, Board Risk Oversight and Sustainability Committee

Estela M. Perlas-Bernabe
Independent and Non-executive Director
Chairperson, Related Party Transactions Committee *(Elected June 7, 2023)*
Member, Board Risk Oversight and Sustainability Committee *(Elected August 2, 2023)*
Member, Corporate Governance Committee *(Elected June 7, 2023)*

Ramon S. Ang, Filipino, 70, was appointed President and Chief Executive Officer of the Company on July 5, 2018. He is also the Vice Chairperson of the Company, a position he has held since May 13, 2011. He has been a director of the Company since May 22, 2001 and a member of the Company's Executive Committee since April 25, 2002. He also holds, among others, the following positions: Vice Chairperson, President and Chief Executive Officer of listed company San Miguel Corporation; Chairperson, President, Chief Executive Officer and Chief Operating Officer of San Miguel Global Power Holdings Corp.; Chairperson and President of Privado Holdings Corporation, San Miguel Holdings Corp., SMC Skyway Corporation, San Miguel Properties, Inc., San Miguel Infrastructure Corporation and Sual Power Inc.; Chairperson of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange) and Petron Malaysia Refining and Marketing Bhd. (a company publicly listed in Malaysia), public companies San Miguel Brewery Inc. and Eagle Cement Corporation, and private companies San Miguel Yamamura Packaging Corporation, San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Petrogen Insurance Corporation and Philippine Diamond Hotel & Resort Inc. He is also the President and Chief Executive Officer of listed companies Top Frontier Investment Holdings, Inc. and Petron Corporation, and private company Northern Cement Corporation; and President of listed company Ginebra San Miguel Inc. He is also the sole director of Master Year Limited (Cayman Islands). Mr. Ang holds a Bachelor's Degree in Mechanical Engineering from Far Eastern University, and a Doctorate in Business Engineering, *Honoris Causa*, from the same university.

Francisco S. Alejo III, Filipino, 75, was appointed Chief Operating Officer – Food on July 5, 2018. Before this appointment, he was the President of the Company (from May 2005 to July 2018). He has been an executive director of the Company since May 22, 2001 and a member of the Company's Executive Committee since April 25, 2002. He also holds the following positions: Chairperson of Golden Food Management, Inc., San Miguel Pure Foods (Vn) Co., Ltd., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., and San Miguel Foods International, Limited; President of San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc. and Magnolia Inc.; Director of listed company Ginebra San Miguel Inc. and private companies San Miguel Foods & Beverage International Limited (BVI) and San Miguel Foods Investment (BVI) Limited; and President Commissioner of PT San Miguel Foods Indonesia. Mr. Alejo holds a

Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School.

Roberto N. Huang, Filipino, was appointed Chief Operating Officer – Beer on July 5, 2018. Until his demise on November 4, 2023, he was an executive director of the Company (since January 9, 2019) and member of the Company's Executive Committee (since February 6, 2019). Mr. Huang was Director and President of San Miguel Brewery Inc., a position that he held since May 2009. He was also a member of San Miguel Brewery Inc.'s Executive Committee. He was likewise Director of San Miguel Brewing International Limited and San Miguel Brewery Hong Kong Limited; and Chairperson and President of Iconic Beverages, Inc., Brewery Properties Inc. and Brewery Landholdings, Inc. Mr. Huang held a Bachelor of Science Degree in Mechanical Engineering from Mapua Institute of Technology and completed academic requirements for a Master's Degree in Business Administration from De La Salle University.

Emmanuel B. Macalalag, Filipino, 58, was appointed Chief Operating Officer – Spirits on July 5, 2018. He has been an executive director of the Company since January 9, 2019 and member of the Company's Executive Committee since June 2, 2021. Mr. Macalalag is General Manager of Ginebra San Miguel Inc. (GSMI). He currently holds the following positions in the various subsidiaries and affiliate of GSMI: Director and General Manager of Distileria Bago, Inc. and East Pacific Star Bottlers Phils Inc., and Director of Agricrops Industries Inc., Crown Royal Distillers, Inc., Healthy Condiments, Inc., Thai San Miguel Liquor Company Limited and GSM International Holdings Limited. Mr. Macalalag obtained his Bachelor of Science in Mathematics degree from De La Salle University (DLSU), Manila where he graduated *cum laude*. He also holds a Master's degree in Mathematics from DLSU and PhD degree in Operations Research from the University of Melbourne, Australia. He does not hold any directorship in any company listed in the PSE other than the Company.

Ferdinand K. Constantino, Filipino, 72, was appointed Treasurer of the Company on July 5, 2018. He has been a non-executive director of the Company since January 9, 2019, a member of the Company's Board Risk Oversight Committee (since February 6, 2019), which became the Board Risk Oversight and Sustainability Committee (on August 2, 2023), a member of the Company's Related Party Transactions Committee (since June 2, 2021), and a member of the Company's Audit Committee (since June 7, 2023). Mr. Constantino is Director of San Miguel Brewery Inc., San Miguel Aerocity Inc. and San Miguel Foods International, Limited. He also holds, among others, the following positions: Group Chief Finance Officer and Treasurer of San Miguel Corporation; Director of listed company Philippine Stock Exchange, Inc., and private companies Securities Clearing Corporation of the Philippines, San Miguel Yamamura Packaging Corporation, SMC Skyway Corporation, Clariden Holdings, Inc., San Miguel Holdings Corp., Northern Cement Corporation, and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia); Director and President of Anchor Insurance and Brokerage Corporation; Director and Treasurer of San Miguel Equity Investments Inc.; and Chairperson of San Miguel Foundation, Inc., SMC Stock Transfer Services Corporation, and San Miguel Integrated Logistics Services, Inc. Mr. Constantino holds a Bachelor of Arts Degree in Economics from the University of the Philippines and completed academic requirements for a Master's Degree in Economics from the University of the Philippines.

Aurora T. Calderon, Filipino, 69, has been a non-executive director of the Company since January 9, 2019, and member of the Company's Audit Committee since February 6, 2019 and Board Risk Oversight and Sustainability Committee since August 2, 2023. Ms. Calderon is the Senior Vice President-Senior Executive Assistant to the President and Chief Executive Officer of San Miguel Corporation (SMC). She is a Director and member of the Corporate Governance Committee of listed company SMC. She holds the following positions in other publicly listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of Petron Corporation, Petron Malaysia Refining and Marketing Bhd. (a company publicly listed in Malaysia) and Ginebra San Miguel Inc. She is the Chairperson and President of East Pacific Star Bottlers Phils Inc., Agricrops Industries Inc. and Crown Royal Distillers, Inc. She is also a member of the board of directors of SMC Global Power Holdings Corp., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, and San Miguel Equity Investments Inc. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. She finished her Masters in Business Administration at Ateneo

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de Manila University (without thesis). In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries.

Menardo R. Jimenez, Filipino, 91, has been a non-executive director of the Company since April 25, 2002. He is a member of its Board Risk Oversight Committee (since May 12, 2017), which became the Board Risk Oversight and Sustainability Committee (on August 2, 2023), and Corporate Governance Committee (since February 6, 2019). He was previously a member of its Audit Committee (from June 2008 to February 2019) and Related Party Transactions Committee (from May 2017 to February 2019). Mr. Jimenez is a Director of listed company San Miguel Corporation and private companies Magnolia Inc., Majent Management and Development Corporation, Dasoland Holdings Corporation, Menarco Property Development & Management Corporation, and The Table Group, Inc. He is the Chairperson of several Philippine companies, including Coffee Bean and Tea Leaf Holdings, Inc. and Meedson Properties Corporation. Mr. Jimenez holds a Bachelor's Degree in Commerce from Far Eastern University and is a Certified Public Accountant. Among others, he was conferred Doctorates in Business Management *Honoris Causa* by University of Pangasinan and *Pamantasan ng Lungsod ng Maynila*.

Ma. Romela M. Bengzon, Filipino, 63, has been a non-executive director of the Company since May 11, 2018. Atty. Bengzon is currently a director of private companies Petron Marketing Corporation and BBR Green Energy Pte. Ltd. She was previously a director of Petron Corporation, Webforge Philippines, Diezmo Realty Inc., Geonobel Philippines and Medical Arts Tower Inc. She is Managing Partner of the Bengzon Law Firm and is affiliated with the non-profit organizations Virlanie Foundation, Inc. and the American Foundation for AIDS Research. Atty. Bengzon holds a Bachelor of Arts Degree in Political Science from University of the Philippines and a Bachelor of Laws Degree from Ateneo de Manila University School of Law. She is also a member of the New York State Bar and a graduate of the Harvard Business School Officers and President Management (OPM) Program 51. She does not hold any directorship in any company listed in the PSE other than the Company.

Francis H. Jardeleza, Filipino, 74, has been a non-executive director of the Company since August 5, 2020. He is also currently a director of listed companies Ginebra San Miguel Inc. and Petron Corporation. He is likewise an incumbent director of MORE Electric and Power Corporation and was a director of EastWest Bank from April 2021 to January 2022. He is also a member of the International and Maritime Law Section of the Philippine Judicial Academy (since July 2023). Mr. Jardeleza is a retired Associate Justice of the Supreme Court (from August 2014 to September 2019) and former Solicitor General of the Philippines (from February 2012 to August 2014). Prior to the several positions he held in public service, Mr. Jardeleza was the Senior Vice President and General Counsel of San Miguel Corporation (from 1996 to 2010). Mr. Jardeleza holds a Bachelor of Arts, Major in Political Science, and a Bachelor of Laws Degree from the University of the Philippines. He is also a member of the New York State Bar and a graduate of the Master of Laws Program at Harvard Law School.

John Paul L. Ang, Filipino, 44, is a non-executive director of the Company since June 2, 2021. He is a director of listed companies Top Frontier Investment Holdings, Inc. (since July 9, 2021), Petron Corporation (since March 9, 2021) and San Miguel Corporation (since January 21, 2021), and holds the following positions in public company Eagle Cement Corporation: President and Chief Executive Officer (since 2008), Director (since 2010), Chairperson of its Executive Committee (since 2017) and member of its Audit Committee (since 2020). He was a member of Eagle Cement Corporation's Nomination and Remuneration Committee (from February 13, 2017 to July 15, 2020). He is likewise the President and Chief Executive Officer of South Western Cement Corporation (since 2017) and Director of KB Space Holdings, Inc. (since 2016). Mr. Ang holds a Bachelor of Arts Degree from Ateneo de Manila University.

Ricardo C. Marquez, Filipino, 63, has been an independent and non-executive director of the Company since March 16, 2017. He is also Chairperson of the Company's Board Risk Oversight Committee (since May 12, 2017), which became the Board Risk Oversight and Sustainability Committee (on August 2, 2023), and a member of the Company's Audit Committee (since March 16, 2017) and Corporate Governance Committee (since May 12, 2017). He was previously a member of the Related Party Transactions Committee (from May 2017 to February 2019). Gen. Marquez is likewise currently an Independent Director of listed companies Top Frontier Investment Holdings, Inc. and Petron Corporation, public company Eagle Cement Corporation, and a member of the Board of Trustees of the Public Safety Mutual Benefit Fund, Inc. Gen. Marquez held several positions in the Philippine National Police (PNP) before he became Chief of the PNP from July 2015 to June 2016. Gen. Marquez holds a

Bachelor of Science Degree from the Philippine Military Academy, and a Masters in Management Degree from Philippine Christian University.

Cirilo P. Noel, Filipino, 67, has been an independent and non-executive director of the Company since September 12, 2018, as well as Lead Independent Director of the Company since June 1, 2022. He is the Chairperson of the Audit Committee since February 6, 2019 and member thereof since September 12, 2018. He is also a member of the Related Party Transactions Committee since February 6, 2019. He was previously a member of the Corporate Governance Committee from June 2, 2021 to June 7, 2023. Mr. Noel currently serves as Director of LH Paragon Group, Amber Kinetics Holding Co., Transnational Diversified Corporation, Eton Properties, Inc. and Golden ABC, and listed companies Globe Telecom, Inc., Robinsons Retail Holdings, Inc. and First Philippine Holdings Corporation. He is also Chairperson of Palm Concepcion Power Corporation, the interim Chairperson of listed company Security Bank Corporation, and a member of the Board of Trustees of St. Luke's Medical Center-Quezon City, St. Luke's Medical Center of College of Medicine and St. Luke's Medical Center Foundation, Inc. Mr. Noel is affiliated with the Makati Business Club and Harvard Club of the Philippines. A lawyer and certified public accountant, Mr. Noel holds a Bachelor of Science Degree in Business Administration from University of the East, a Bachelor of Laws Degree from Ateneo de Manila University School of Law and a Masters Degree in Law from Harvard Law School. He is also a fellow of the Harvard International Tax Program and attended the Management Development Program at the Asian Institute of Management.

Winston A. Chan, Filipino, 68, is an independent and non-executive director of the Company, as well as a member of the Company's Audit Committee since February 6, 2019 and the Company's Board Risk Oversight Committee since June 2, 2021, which became the Board Risk Oversight and Sustainability Committee on August 2, 2023. He was previously the Chairperson of the Company's Related Party Transactions Committee (from June 2, 2021 to June 7, 2023). He is currently an Independent Director of listed company Bank of Commerce, PT Delta Djakarta Tbk (a company publicly listed in Indonesia), public company Eagle Cement Corporation, and private company San Miguel Yamamura Packaging Corporation. In the last five years, Mr. Chan served as Independent Director of Leisure & Resorts World Corporation (September 2020 to October 2022), Director of private companies DataOne Asia (Philippines), Inc. (July 2018 to December 2022), Kairos Business, Solutions, Inc. (January 2018 to December 2020), and Premiere Horizon Alliance Corporation (February 2018 to December 2020), Member of the Board of Directors of Letran Alumni Association (January 2018 to July 2019) and Advisor to the Board of Directors of listed company 2GO Group, Inc. (January to October 2018). Mr. Chan holds a Bachelor of Science Degree in Accountancy from Colegio de San Juan de Letran, and is a Certified Information Systems Manager, a Certified Information Systems Auditor, and a Certified Public Accountant. He also completed the Advanced Management Program at Harvard Business School, the Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at Asian Institute of Management.

Aurora S. Lagman, Filipino, 85, is an independent and non-executive director of the Company, as well as the Chairperson of the Company's Corporate Governance Committee, and a member of its Related Party Transactions and Board Risk Oversight Committees, the latter of which became the Board Risk Oversight and Sustainability Committee (on August 2, 2023), since March 9, 2022. She is currently an Independent Director of listed company Ginebra San Miguel Inc. and is the Chairperson of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee of said company. Ms. Lagman is a retired Associate Justice of the Court of Appeals of the Philippines (from February 2004 to January 2008) and served as Member of the Judicial and Bar Council (from October 2008 to July 2016). She is a part-time faculty member of the College of Law, Bulacan State University (currently on leave) and Adviser of RTC Judges Association of Bulacan, Inc. She obtained her law degree at the College of Law of Lyceum of the Philippines and attended special studies and short courses abroad such as Program of Instruction for Lawyers, Harvard Law School, Cambridge, Massachusetts, U.S.A. and Special Course on Evidence, National Judicial College, University of Nevada, Reno, U.S.A.

Estela M. Perlas-Bernabe, 71, is an independent and non-executive director of the Company since August 3, 2022, as well as the Chairperson of the Company's Related Party Transactions Committee and a member of its Corporate Governance Committee since June 7, 2023. She is also a member of the Company's Board Risk Oversight and Sustainability Committee since August 2, 2023. Ms. Bernabe is currently an Independent Director of listed companies BDO Unibank, Inc. (since July 31, 2022) and

Converge ICT Solutions, Inc. (since May 26, 2023), and private company Petrogen Insurance Corporation (since March 23, 2023. She is also a member of the Board of Trustees of the Foundation for Liberty and Prosperity (since December 6, 2022) and the Philippine Judicial Academy Development Center Inc. (since November 13, 2023). Ms. Bernabe is a retired Associate Justice of the Supreme Court of the Philippines (from September 2011 to May 2022). She served as Senior Associate Justice and Division Chairperson of the Second Division of the Supreme Court from 2019 to 2022, and President of the Philippine Women Judges Association from 2018 to 2022. She holds a Bachelor of Science in Commerce Degree in Banking and Finance from St. Paul College of Manila and a Bachelor of Laws Degree from Ateneo de Manila University School of Law.

Key Officers

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

Alexandra Victoria B. Trillana
Corporate Secretary, Compliance Officer and General Counsel

Kristina Lowella I. Garcia
Assistant Vice President and Investor Relations Manager
Data Protection Officer

Ildefonso B. Alindogan, Filipino, 49, was appointed Vice President, Chief Finance Officer and Chief Strategy Officer of the Company on July 5, 2018. He is currently a director of The Purefoods-Hormel Company, Inc., Magnolia Inc., San Miguel Mills, Inc. and a member of the Board of Commissioners of PT San Miguel Foods Indonesia. He was previously a director of San Miguel Foods, Inc. He joined the San Miguel Group of companies on April 26, 2018. Before joining San Miguel, he was employed at Standard Chartered Bank, Manila, as Executive Director – Head of Philippines FX and Rates Trading, Financial Markets (September 2012 to March 2018). Mr. Alindogan holds a Bachelor of Science Degree in Management Engineering (Honors Program) from Ateneo De Manila University and a Masters in Business Administration, Major in Finance from The Wharton School, University of Pennsylvania.

Alexandra Victoria B. Trillana, Filipino, 50, is the Corporate Secretary (since September 15, 2010), Compliance Officer (since August 8, 2016) and General Counsel (since June 5, 2019) of the Company. She is also Vice President and General Counsel of the Food Division; and Corporate Secretary of San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Golden Food Management, Inc., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., Foodcrave Marketing, Inc. and San Miguel Foods Mindanao, Inc. Atty. Trillana holds a Bachelor's Degree in Commerce Major in Legal Management from De La Salle University and a Juris Doctor Degree from Ateneo de Manila University School of Law.

Kristina Lowella I. Garcia, Filipino, 50, was appointed Assistant Vice President and Investor Relations Manager of the Company effective August 1, 2018. She is also the Data Protection Officer of the Company (since June 1, 2022). She was previously a Director for Investor Relations of Century Properties Group, Inc. (January 2013 to July 2018). Ms. Garcia holds a Bachelor of Arts Degree from Ateneo De Manila University, a Certificate in Business Administration from Georgetown University, and a Masters in Business Administration from John Hopkins University.

Board Attendance

In 2023, the Board of Directors held six (6) meetings. Set out below is the record of attendance of the directors in these meetings is as follows:

	Date of Board Meeting, All in Year 2023					
Director	**Feb. 2**	**Mar. 8**	**May 9**	**June 7**	**Aug. 2**	**Nov. 8**

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Ramon S. Ang *Vice Chairperson*	✓	✓	✓	✓	✓	✓
Francisco S. Alejo III	✓	✓	✓	✓	✓	✓
Roberto N. Huang† *(Until his demise on November 4, 2023)*	✓	✓	✓	✓	✓	N/A
Emmanuel B. Macalalag	✓	✓	✓	✓	✓	✓
Ferdinand K. Constantino	✓	✓	✓	✓	✓	✓
Aurora T. Calderon	✓	Absent	✓	✓	✓	✓
Menardo R. Jimenez	✓	✓	✓	✓	✓	✓
Ma. Romela M. Bengzon	✓	✓	✓	✓	Absent	✓
Francis H. Jardeleza	✓	✓	✓	✓	✓	✓
John Paul L. Ang	✓	✓	✓	Absent	✓	Absent
Ricardo C. Marquez *Independent Director*	✓	✓	✓	✓	✓	✓
Cirilo P. Noel *Independent Director*	✓	✓	✓	✓	Absent	✓
Winston A. Chan *Independent Director*	✓	Absent	✓	✓	Absent	✓
Aurora S. Lagman *Independent Director*	✓	✓	✓	✓	✓	✓
Estela M. Perlas-Bernabe *Independent Director*	✓	✓	✓	✓	✓	✓

Also in the year 2023, the stockholders held the Annual Stockholders' Meeting on June 7. The attendance of the directors in this meeting is as follows:

	Date of 2023 Stockholders' Meeting
Director	**June 7**
Ramon S. Ang *Vice Chairperson*	✓
Francisco S. Alejo III	✓
Roberto N. Huang	✓
Emmanuel B. Macalalag	✓
Ferdinand K. Constantino	✓
Aurora T. Calderon	✓
Menardo R. Jimenez	✓
Ma. Romela M. Bengzon	✓
Francis H. Jardeleza	✓
John Paul L. Ang	Absent
Ricardo C. Marquez *Independent Director*	✓
Cirilo P. Noel *Independent Director*	✓
Winston A. Chan *Independent Director*	✓
Aurora S. Lagman	✓

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Independent Director	
Estela M. Perlas-Bernabe *Independent Director*	✓

Term of Office

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

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

Independent Directors

The independent directors of the Company as of the year ended December 31, 2023 were Mr. Ricardo C. Marquez, Mr. Cirilo P. Noel, Mr. Winston A. Chan, Ms. Aurora S. Lagman and Ms. Estela M. Perlas-Bernabe. In compliance with SEC Memorandum Circular No. 4, Series of 2017, none of the independent directors have served as such in the same company for a maximum cumulative term of nine (9) years. All the independent directors of the Company are independent of its management and substantial shareholders.

On June 7, 2023, the Board appointed Mr. Cirilo P. Noel as lead director among the Company's independent directors, granting him the authority to lead the Board of Directors in cases where management had clear conflicts of interest.

Significant Employees

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

Family Relationships

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

Intermediate Parent Company

As of December 31, 2023, SMC owns and controls 5,245,082,440 common shares comprising 88.76% of the outstanding capital stock of the Company entitled to vote.

Involvement in Certain Legal Proceedings

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

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Item 10. Executive Compensation

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

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers[1]	2024 (estimated)	P115.1 Million	P34.6 Million	P13.7 Million	P163.4 Million
	2023	P110.9 Millon	P38.9 Million	P8.7 Million	P158.5 Million
	2022	P110.4 Million	P76.6 Million	P7.9 Million	P194.9 Million
All other officers and directors as a group unnamed	2024 (estimated)	P639.4 Million	P191.6 Million	P174.8 Million	P1,005.8 Million
	2023	P686.7 Million	P325.4 Million	P185.9 Million	P1,198.0 Million
	2022	P650.8 Million	P289.7 Million	P190.9 Million	P1,131.4 Million
TOTAL	2024 (estimated)	P754.5 Million	P226.2 Million	P188.5 Million	P1,169.2 Million
	2023	P797.6 Million	P364.3 Million	P194.6 Million	P1,356.5 Million
	2022	P761.2 Million	P366.3 Million	P198.8 Million	P1,326.3 Million

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

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

[1] *The Chief Executive Officer and Senior Executive Officers of the Company for 2023 and 2022 were as follows: Ramon S. Ang, Roberto N. Huang† (who served until November 4, 2023), Francisco S. Alejo III, Emmanuel B. Macalalag and Ildefonso B. Alindogan. The Chief Executive Officer and Senior Executive Officers of the Company for 2024 are as follows: Ramon S. Ang, Carlos Antonio M. Berba (nominated for election as Chief Operating Officer – Beer at the organizational Board of Directors' meeting on June 5, 2024), Francisco S. Alejo III, Emmanuel B. Macalalag and Ildefonso B. Alindogan.*

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

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

The Company paid a total of P3,210,000.00 in per diem allowances to the Board of Directors for meetings attended by them in 2023, as follows:

Executive Directors[2]	P 655,000.00
Non-executive Directors (other than Independent Directors)[3]	1,220,000.00
Independent Directors[4]	1,335,000.00
TOTAL	P 3,210,000.00

A breakdown of the per diem allowances received by each director for meetings attended by them in 2023 is provided below:

Director	Per Diems
Ramon S. Ang	P 170,000.00
Francisco S. Alejo III	170,000.00
Roberto N. Huang† *(Term up to November 4, 2023)*	145,000.00
Emmanuel B. Macalalag	170,000.00
Ferdinand K. Constantino	310,000.00
Aurora T. Calderon	225,000.00
Menardo R. Jimenez	250,000.00
Ma. Romela M. Bengzon	145,000.00
Francis H. Jardeleza	170,000.00
John Paul L. Ang	120,000.00
Ricardo C. Marquez	350,000.00
Cirilo P. Noel	285,000.00
Winston A. Chan	220,000.00
Aurora S. Lagman	270,000.00
Estela M. Perlas-Bernabe	210,000.00
TOTAL	**P3,210,000.00**

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

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

There are neither compensatory plans nor arrangements with respect to an executive officer that results or will result from the resignation, retirement, or any other termination of such executive officer's

[2] *Comprised of Ramon S. Ang, Roberto N. Huang† (who served until November 4, 2023), Francisco S. Alejo III and Emmanuel B. Macalalag.*

[3] *Comprised of Ferdinand K. Constantino, Aurora T. Calderon, Menardo R. Jimenez, Ma. Romela M. Bengzon, Francis H. Jardeleza and John Paul L. Ang.*

[4] *Comprised of Ricardo C. Marquez, Cirilo P. Noel, Winston A. Chan, Aurora S. Lagman and Estela M. Perlas-Bernabe.*

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employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of record of more than 5% of the Company's voting[5] securities as of December 31, 2023, are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Ownership to Capital Stock
Common	San Miguel Corporation[6] SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City 1550, parent company of issuer	San Miguel Corporation	Filipino	5,245,082,440	88.7610%
Common	PCD Nominee Corporation[7] 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various[8]	Non-Filipino	384,484,538	6.5065%

The following are the number of shares of the Company's capital stock, all of which are voting shares, owned of record by the directors and key officers of the Company as of the start of the year, and as of the year ended December 31, 2023:

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

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

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

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

Name of Director/ Key Officer	Number of Shares as of December 31, 2022	Number of Shares as of December 31, 2023	% of Capital Stock
Ramon S. Ang	10 common shares (Direct)	10 common shares (Direct)	0%
Francisco S. Alejo III	10 common shares (Direct); 230,000 common shares (Indirect)	10 common shares (Direct); 230,000 common shares (Indirect)	0%
Roberto N. Huang† *(Until his demise on November 4, 2023)*	10 common shares (Direct)	N/A	0%
Emmanuel B. Macalalag	10 common shares (Direct)	10 common shares (Direct)	0%
Ferdinand K. Constantino	10 common shares (Direct)	10 common shares (Direct)	0%
Aurora T. Calderon	10 common shares (Direct)	10 common shares (Direct)	0%
Menardo R. Jimenez	10 common shares (Direct)	10 common shares (Direct)	0%
Ma. Romela M. Bengzon	10 common shares (Direct)	10 common shares (Direct)	0%
Francis H. Jardeleza	10 common shares (Direct)	10 common shares (Direct)	0%
John Paul L. Ang	10 common shares (Direct)	10 common shares (Direct)	0%
Ricardo C. Marquez	10 common shares (Direct)	10 common shares (Direct)	0%
Cirilo P. Noel	10 common shares (Direct)	10 common shares (Direct)	0%
Winston A. Chan	10 common shares (Direct)	10 common shares (Direct)	0%
Aurora S. Lagman	10 common shares (Direct)	10 common shares (Direct)	0%
Estela M. Perlas-Bernabe	10 common shares (Direct)	10 common shares (Direct); 3,000 common shares (Indirect)	0%
Ildefonso B. Alindogan	None	None	0%
Kristina Lowella I. Garcia	10,000 common shares (Indirect)	10,000 common shares (Indirect)	0%
Alexandra B. Trillana	None	None	0%

The aggregate number of shares owned of record by the Chief Executive Officer/President, key officers and directors as a group as of December 31, 2023 is 233,140 shares or approximately 0.0039% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors as a group as of December 31, 2023 is 243,140 shares or approximately 0.0041% of the Company's outstanding capital stock.

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

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

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

There are no shareholder agreements, provisions in the Company's by-laws, or other arrangements that constrain the directors' ability to vote independently. Neither does the Company have voting trust agreements, confidentiality agreements and such other agreements that may impact the control, ownership and strategic direction of the Company.

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Item 12. Certain Relationships and Related Transactions

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

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

Moreover, consistent with the Company's Manual on Corporate Governance that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements. The Company's transactions with related parties are described in Note 30 (Related Party Disclosures) of the Company's 2023 Audited Consolidated Financial Statements attached hereto as **Annex "B"**, as well as the discussion under *Transactions with and/or Dependence on related parties* in Item 1 (Business) of this report.

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

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company is fully committed to the highest standards of corporate governance to protect the interests of all its stakeholders and to promote the long-term sustainability of the Group. The Company continues to improve its policies and institutionalize good corporate governance practices, to ensure integrity, transparency, and proper governance in the conduct of its affairs.

The Company recognizes that to sustain good corporate governance within the organization, the same sound culture must be upheld and cultivated from the top. It is of paramount importance to monitor the governance structure and performance of the Board of Directors and top management according to their roles, responsibilities, and accountabilities.

Since the year 2011, it has been a policy and practice of the Company for its Board of Directors to conduct an annual self-assessment exercise through a questionnaire given to each director at the last regular meeting for the year, for the purpose of evaluating the performance of the Board that year and the effectiveness of the Company's governance processes and seeking ways to improve such

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performance.

The Company continually reviews this assessment process to take into consideration leading practices in corporate governance. In fact, the self-rating form had been revised in 2016 to cover the appraisal of the Board of Directors as a governing unit, of individual directors, of the different Board Committees, and of management, including the President.

The assessment criteria include the structure, efficiency, and effectiveness of the Board, participation and engagement of each director, contribution of each member director to their respective Committees, and the performance of management. The criteria also reflect the specific duties, responsibilities and accountabilities of each party assessed as provided in the Company's By-laws, Manual on Corporate Governance, Board Committee Charters and governing policies.

Moreover, the questionnaire allows the director to provide comments and suggestions to further enrich the assessment process. In case clarification is needed on this policy and the performance assessment exercise, the Board addresses their queries to the Compliance Officer.

The Company has adopted a Manual on Corporate Governance (the "Manual") that is aligned with the new Code of Corporate Governance for Publicly-Listed Companies issued by the SEC in November 2016.

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top-level management with its Manual is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. Compliance by the Board of Directors and top-level management with the Manual is evaluated on the basis of their compliance with the policies and procedures of the Company specifically adopted for good corporate governance.

The Company certifies that, for 2023, it has complied with the provisions of its Manual on Corporate Governance.

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

Starting in the year 2021, the Company engaged an independent third party, Good Governance Advocates and Practitioners of the Philippines ("GGAPP"), an organization of governance, ethics and compliance professionals, to conduct the 2021 annual performance assessment of the Board and key officers of the Company. The Company intends to repeat this process in 2024, and every three (3) years thereafter, in compliance with Recommendation 6.1 of the SEC Code of Corporate Governance for Publicly-Listed Companies, as well as Section 7.1 of the Manual, which both provide that the Board assessment should be supported by an independent third party facilitator every three (3) years.

In August 2023, upon the endorsement of the Corporate Governance Committee, the Board of Directors approved the creation of the Board Risk Oversight and Sustainability Committee in place of the existing Board Risk Oversight Committee. The new Committee was tasked to assist the Board in determining sustainable development policies, directions and strategies and in fulfilling its oversight responsibilities in relation to the Company's sustainability efforts and initiatives, as well as risk management systems.

In November 2023, upon the endorsement of the newly-constituted Board Risk Oversight and Sustainability Committee, the Board of Directors approved the Charter of the said Committee in place of the existing Charter and updates to the Committee's self-assessment worksheet, to reflect the additional sustainability-related duties and responsibilities of the Committee.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures in order to ensure that such policies and procedures are consistent with leading practices on good corporate governance, giving due consideration to developments in the area of corporate governance, which it determines to be in the best interests of the Company and its stockholders.

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Please refer to the 2023 SEC I-ACGR of the Company, which shall be submitted to the SEC on or before May 30, 2024, and thereafter posted on the Company's corporate website www.smfb.com.ph within five business days from submission to the SEC in compliance with SEC Memorandum Circular No. 15, series of 2017.

Please refer to the 2023 Sustainability Report of the Company attached hereto as **Annex "H"**, in accordance with SEC Memorandum Circular No. 4, series of 2019.

PART V – EXHIBITS AND SCHEDULES

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

(A) Exhibits

The 2023 Audited Consolidated Financial Statements and the Supplementary Schedules (including the reports of the external auditors on the Supplementary Schedules) are attached hereto as **Annex "B"**.

(B) Reports on SEC Form 17-C

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code of the Philippines, this Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on MAR 19 2024

By:

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

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

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

SUBSCRIBED AND SWORN to before me this MAR 19 2024 day of _____, 2024 affiants exhibiting to me their Passports, as follows:

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

Page No. 510;
Doc. No. 103;
Book No. XXIII;
Series of 2024.

MA. CELESTE J. LEGASPI
Notary Public for Pasig City
Commission until 31 December 2024
100 E. Rodriguez Jr. Avenue (C5 Road)
Barangay Ugong, Pasig City 1604
APPT No. 17 (2023-2024)/Roll No. 47611
IBP No. 402827; 1/5/2024; RSM
PTR No. 1650270; 1/4/2024; Pasig City
MCLE Compliance No. VII-0019519; 5/30/202?

Annex "A"

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

This discussion summarizes the significant factors affecting the consolidated financial position, financial performance and cash flows of San Miguel Food and Beverage, Inc. (SMFB or "the Parent Company") and its subsidiaries (collectively, referred to as the "Group") for the three-year period ended December 31, 2023. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2023 and the financial performance and cash flows for the year ended December 31, 2023 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

Material Accounting Policies

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

The FSRSC approved the adoption of amendments to standards as part of PFRS.

Adoption of Amendments to Standards

The Group has adopted the following amendments to standards effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

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

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

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

- International Tax Reform - Pillar Two Model Rules (Amendments to PAS 12). The amendments include a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity will be affected by the minimum tax, particularly before the legislation comes into force.

  The accounting exemption is to be applied immediately after publication of the amendment.

The adoption of the amendments to standards did not have a material effect on the consolidated financial statements.

II. FINANCIAL PERFORMANCE

2023 vs 2022

(in millions)	DECEMBER 2023	2022	HORIZONTAL ANALYSIS INCREASE (DECREASE) AMOUNT	%	VERTICAL ANALYSIS 2023	2022
SALES	379,822	358,853	20,969	6%	100%	100%
COST OF SALES	279,222	261,480	17,742	7%	74%	73%
GROSS PROFIT	100,600	97,373	3,227	3%	26%	27%
SELLING AND ADMINISTRATIVE EXPENSES	(52,189)	(48,662)	(3,527)	7%	(14%)	(14%)
OPERATING RESULTS	48,411	48,711	(300)	(1%)	13%	14%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(4,752)	(3,538)	(1,214)	34%	(1%)	(1%)
INTEREST INCOME	3,067	821	2,246	274%	1%	0%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	(2)	(2)	-	0%	(0%)	(0%)
OTHER INCOME (CHARGES) - NET	3,154	(223)	3,377	(1514%)	1%	(0%)
INCOME BEFORE INCOME TAX	49,878	45,769	4,109	9%	13%	13%
INCOME TAX EXPENSE	11,773	11,104	669	6%	3%	3%
NET INCOME	38,105	34,665	3,440	10%	10%	10%
Attributable to:						
Equity holders of the Parent Company	23,118	22,263	855	4%	6%	6%
Non-controlling interests	14,987	12,402	2,585	21%	4%	3%
	38,105	34,665	3,440	10%	10%	10%

The Group delivered a year of steady topline growth despite the challenging macroeconomic conditions.

Consolidated sales in 2023 amounted to P379,822 million, 6% higher from the previous year, as all businesses delivered growth in sales compared to 2022 on improved volumes and pricing. This was attributed to improved volumes and pricing strategies. Consolidated net income, on the other hand, reached P38,105 million, 10% higher than in 2022.

Sales

Consolidated sales increased by 6% from P358,853 million in 2022 to P379,822 million in 2023. Sales in the Beer and NAB segment increased by 8% from P136,230 million in 2022 to P147,341 million in 2023, sales in the Spirits segment increased by 13% from P47,336 million in 2022 to P53,636 million in 2023, and sales in the Food segment increased by 2% from P175,287 million in 2022 to P178,845 million in 2023. The increase was propelled by higher volumes and better selling prices.

Cost of Sales

Consolidated cost of sales increased by 7% from P261,480 million in 2022 to P279,222 million in 2023. Cost of sales in the Beer and NAB segment increased by 8% from P85,774 in 2022 to P93,009 in 2023, cost of sales in the Spirits segment increased by 14% from P35,858 million in 2022 to P40,832 million in 2023, and cost of sales in the Food segment increased by 4% from P139,848 million in 2022 to P145,381 million in 2023. Cost increases were in line with higher sales volume across most segments, coupled with higher excise taxes and higher raw material costs in the earlier part of the year resulting from challenges such as inflationary pressures and operational setbacks.

The following table summarizes the cost of sales for the year ended December 31, 2023:

	Beer and NAB	Spirits	Food	Total
Inventories	P16,497	P15,883	P125,647	**P158,027**
Excise tax	67,829	22,991	-	**90,820**
Labor	2,052	397	2,552	**5,001**
Others	6,631	1,561	17,182	**25,374**
	P93,009	**P40,832**	**P145,381**	**P279,222**

Gross profit

Consolidated gross profit increased by 3% from P97,373 million in 2022 to P100,600 million in 2023. Gross profit in the Beer and NAB segment increased by 8% from P50,456 million in 2022 to P54,332 million in 2023, gross profit in the Spirits segment increased by 12% from P11,478 million in 2022 to P12,804 million in 2023, and gross profit in the Food segment decreased by 6% from P35,439 million in 2022 to P33,464 million in 2023, as the growth in volumes and prices were not sufficient to offset rising input costs.

Selling and Administrative Expenses
Consolidated selling and administrative expenses increased by 7% from P48,662 million in 2022 to P52,189 million in 2023. Selling and administrative expenses in the Beer and NAB segment increased by 9% from P20,937 million in 2022 to P22,919 million in 2023, selling and administrative expenses in the Spirits segment increased by 9% from P5,491 million in 2022 to P5,969 million in 2023, and selling and administrative expenses in the Food segment increased by 5% from to P22,234 million in 2022 to P23,301 million in 2023 (includes expenses of the Parent Company amounting to P65 million and P64 million in 2023 and 2022, respectively). The consolidated increase was primarily due to activities intended to further support volume growth and expenses related to newly-acquired company trucks and newly built facilities that resulted in an increase in depreciation and manpower-related expenses.

Interest Expense and Other Financing Charges
Consolidated interest expense and other financing charges increased by 34% from P3,538 million in 2022 to P4,752 million in 2023. The increase was mainly due to higher interest rates on floating rate obligations and additional loan availment.

Interest Income
Consolidated interest income increased by 274% from P821 million in 2022 to P3,067 million in 2023. The increase was primarily due to higher money market placements with longer maturity periods and improved rates, as well as interests earned on investments in debt instruments.

Other Income (Charges) - Net
The Group recognized net other income amounting to P3,154 million in 2023 compared to net other charges in 2022 amounting to P223 million. This was primarily due to higher foreign exchange and marked to market gains based on favorable exchange rate movements, the Spirits segment's recognized income from the assignment of product rights, the Beer and NAB segment's Tax Credit Certificate issued by the Bureau of Internal Revenue (BIR) pursuant to tax refund cases, lower closure and closed facility-related expenses and lower casualty losses as compared to in 2022.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 9% from P45,769 million in 2022 to P49,878 million in 2023.

Income Tax Expense
The consolidated income tax expense increased by 6% amounting to P11,773 million in 2023 due to higher taxable income of the Group.

Net Income
As a result of the foregoing, the Group's consolidated net income increased by 10% from P34,665 million in 2022 to P38,105 million in 2023. Net income of the Beer and NAB segment increased by 16% from P21,750 million in 2022 to P25,322 million in 2023, net income of the Spirits segment increased by 55% from P4,547 million in 2022 to P7,046 million in 2023, and net income of the Food segment amounted to P5,737 million in 2023 (inclusive of operating and interest expenses of the Parent Company amounting to P853 million).

Non-Controlling Interests
Share of non-controlling interests in the Group's net income increased by 21% from P12,402 million in 2022 to P14,987 million in 2023 mainly due to the higher net income of the Group.

Net Income after Tax and Non-Controlling Interests
As a result of the foregoing, the Group's consolidated net income after tax and non-controlling interests increased by 4% to P23,118 million for the year ended December 31, 2023 versus the P22,263 million for the year ended December 31, 2022. Net income after tax and non-controlling interests of the Beer and NAB segment increased by 15% from P10,987 million in 2022 to P12,667 million in 2023, net income after tax and non-controlling interests of the Spirits segment increased by 55% from P3,446 million in 2022 to P5,339 million in 2023, and net income after tax and non-controlling interests of the Food segment decreased by 35% from P7,830 million in 2022 to P5,112 million in 2023 (inclusive of operating and interest expenses of the Parent Company amounting to P853 million).

Business Highlights for the year ended December 31, 2023

Beer and NAB

The Beer and NAB segment under San Miguel Brewery Inc. (SMB) sustained its growth and recovery in 2023 with consolidated revenues of P147,321 million, 8% higher than the previous year's revenue. The improvement was a result of higher volume performance coupled with the price increases for both its domestic and international operations.

Cost of sales increased by 8% to P93,009 million as of December 2023 with the higher sales volume of both domestic and international operations, and the increase in excise tax rate in the Philippines. The domestic operations accounted for P84,597 million, while the international operations recorded US$152 million.

Consequently, income from operations rose to P31,413 million, 6% higher than in 2022.

Domestic Beer Operations

Domestic operations sustained its growth and recovery in 2023 with revenue of P131,720 million, 8% higher than the previous year mainly driven by volume growth and the impact of the price increase implemented on March 1, 2023. Volume growth was supported by the recovery of directly-served outlets, brand-building programs, consumer and trade activations as well as the resumption of tourism activities, fiestas and festivals.

Income from operations grew by 4% to P28,151 million compared to last year. Net income of P21,954 million for 2023 was 12% higher than last year's P19,542 million.

International Beer Operations

San Miguel Brewing International Limited (SMBIL) registered US$281 million in consolidated revenue for the year 2023, 7% better than last year on account of the 6% growth in volumes.

SMBIL's global San Miguel brands including Red Horse grew across all operating countries and export markets, up 13% to negate the reduction in local beer brands (i.e., beer brands owned by the subsidiaries in the relevant markets) volume. Thailand operations' volumes were higher than last year attributable to the continued implementation of its multi-channel programs, along with the re-opening of more on-premise outlets in the market. South China operations' volumes improved by 10% from 2022 as a result of increased outlet yield and outlet penetration on the back of an expanded network of dealers and wholesalers. While global San Miguel brands grew in Hong Kong, Vietnam and Indonesia owing to the implementation of outlet penetration programs, this was offset by the shortfall in these markets' local beer brands. This was particularly more significant in the Indonesia operations as its local Anker beer brand contributes more than 80% of its total sales. SMBIL's Exports business posted a double-digit growth from last year resulting from higher shipments to UAE, Singapore, USA and some markets in Africa.

SMBIL's consolidated operating income for the year reached US$59 million, 27% higher than last year owing to the volume growth, favorable margins and controlled fixed costs.

Spirits

The Spirits segment under Ginebra San Miguel Inc. (GSMI) ended the year 2023 with revenues up 13% to P53,636 million from P47,336 million last year driven by the price increase and higher volume. This, coupled with lower cost of packaging materials, offset by higher cost of alcohol and bottles resulted to P12,804 million in gross profit, 12% higher than in 2022.

Selling and marketing expenses jumped 9% from P3,397 million in 2022 to P3,716 million in 2023 primarily due to higher delivery costs, advertising and promotion, and repairs and maintenance.

General and administrative expenses increased by 8% to P2,253 million on account of higher personnel cost, outside services, and local taxes.

Interest expense and other financing charges is higher by 15% or P8 million mainly from GSMI's defined benefit plans.

Interest income in 2023 was higher at P552 million as compared with last year's P131 million primarily attributable to higher placements with longer maturity period and better interest rates, and earnings from advances and investments.

Other income in 2023 amounted to P2,038 million, compared to last year's net other charges of P6 million largely driven by the one-time income for the transfer of product rights and foreign exchange gains.

Income tax expenses increased 53% to P2,319 million in 2023 from P1,511 million in 2022 due primarily to the segment's higher taxable income at the current year-end.

Food

The Food segment posted revenues of P178,845 million in 2023, 2% higher compared to in 2022. Amid inflationary pressures affecting consumer demand, most businesses delivered higher revenues. The Protein business' volume achievement, however, was dampened by limited broiler supply in the first few months of the year, as well as lingering impact of the African Swine Fever (ASF).

> The Protein business, comprised of the poultry and fresh meats businesses, registered revenues of P65,651 million, 3% lower than the same period last year, primarily due to capacity limitations that constrained poultry supply in the early part of the year. While grown broiler supply eventually improved in the second quarter, a surge in the industry inventory of imported frozen chicken around second semester pulled chicken selling prices down, further affecting the poultry business' revenue achievement for balance of the year. Meanwhile, revenues of the fresh meats business was still hampered by the resurgence of ASF in several provinces, resulting in a deliberate downscaling of our hog operations.
>
> The Animal Nutrition and Health business posted revenues of P44,908 million, 5% higher than the same period last year, boosted by higher selling prices. The impact of industry depopulation caused by ASF, however, affected sales volumes.
>
> The Prepared and Packaged Food business, consisting of processed meats, ready-to-eat and plant-based food, dairy, spreads, and coffee businesses, delivered revenues of P51,351 million, up by 3% from year ago level mainly on account of better selling prices. Despite tempered consumer spending, sales volume growth was noted for Purefoods Chicken Nuggets, Purefoods Luncheon Meat, Purefoods Chinese Luncheon Meat, as well as Magnolia's butter, cheese, salad aids and flour mixes. Volume growth momentum of San Mig Coffee's Sugarfree and Original variants were likewise sustained.

The Food segment's cost of sales at P145,395 million was 4% higher compared to in 2022 resulting from elevated costs of some of the major raw materials, aggravated by the impact of the Philippine peso depreciation. Operating costs and depreciation of new company-owned facilities also contributed to higher input and production costs.

As increase in costs of major raw materials and other production overhead outpaced revenue growth, the Food segment's gross profit dropped to P33,452 million, 6% lower compared to last year's level.

Selling and administrative expenses went up by 5% to P23,224 million mainly due to increase in manpower requirements to support expansion, as well as the implementation of wage board increases.

Hampered by the above-mentioned challenges, the Food segment's income from operations was weighed down to P10,228 million for the year 2023.

2022 vs 2021

(in millions)	DECEMBER 2022	2021	HORIZONTAL ANALYSIS INCREASE (DECREASE) AMOUNT	%	VERTICAL ANALYSIS 2022	2021
SALES	358,853	309,778	49,075	16%	100%	100%
COST OF SALES	261,480	219,306	42,174	19%	73%	71%
GROSS PROFIT	97,373	90,472	6,901	8%	27%	29%
SELLING AND ADMINISTRATIVE EXPENSES	(48,662)	(46,777)	(1,885)	4%	(14%)	(15%)
OPERATING RESULTS	48,711	43,695	5,016	11%	14%	14%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(3,538)	(3,360)	(178)	5%	(1%)	(1%)
INTEREST INCOME	821	468	353	75%	0%	0%
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	(2)	196	(198)	(101%)	(0%)	0%
OTHER INCOME (CHARGES) - NET	(223)	(197)	(26)	13%	(0%)	(0%)
INCOME BEFORE INCOME TAX	45,769	40,802	4,967	12%	13%	13%
INCOME TAX EXPENSE	11,104	9,385	1,719	18%	3%	3%
NET INCOME	34,665	31,417	3,248	10%	10%	10%
Attributable to:						
Equity holders of the Parent Company	22,263	19,791	2,472	12%	6%	6%
Non-controlling interests	12,402	11,626	776	7%	3%	4%
	34,665	31,417	3,248	10%	10%	10%

The Group delivered another year of strong top- and bottom-line growth, posting its highest level of revenues and profits in a single quarter since its consolidation in 2018.

Consolidated sales in 2022 amounted to P358,853 million, 16% higher compared to in 2021. Consolidated net income, on the other hand, reached P34,665 million, 10% higher than in 2021, surpassing 2019 pre-pandemic levels.

Sales

Consolidated sales increased by 16% from P309,778 million in 2021 to P358,853 million in 2022. Sales in the Beer and NAB segment increased by 17% from P116,280 million in 2021 to P136,230 million in 2022, sales in the Spirits segment increased by 11% from P42,529 million in 2021 to P47,336 million in 2022, and sales in the Food segment increased by 16% from P150,969 million in 2021 to P175,287 million in 2022. The increase was propelled by higher volumes and better pricing across all segments of the Group.

Cost of Sales

Consolidated cost of sales increased by 19% from P219,306 million in 2021 to P261,480 million in 2022. Cost of sales in the Beer and NAB segment increased by 20% from P71,385 in 2021 to P85,774 in 2022, cost of sales in the Spirits segment increased by 13% from P31,756 million in 2021 to P35,858 million in 2022, and cost of sales in the Food segment increased by 20% from P116,165 million in 2021 to P139,848 million in 2022. Cost increases were in line with higher sales volume across most segments, coupled with higher excise taxes and rising raw material costs resulting from heightened geopolitical tensions, inflationary pressures and supply chain challenges.

The following table summarizes the cost of sales for the year ended December 31, 2022:

	Beer and NAB	Spirits	Food	Total
Inventories	P14,466	P14,321	P121,495	P150,282
Excise tax	62,894	19,920	-	82,814
Labor	1,863	357	2,139	4,359
Others	6,551	1,260	16,214	24,025
	P85,774	**P35,858**	**P139,848**	**P261,480**

Gross profit

Consolidated gross profit increased by 8% from P90,472 million in 2021 to P97,373 million in 2022. Gross profit in the Beer and NAB segment increased by 12% from P44,895 million in 2021 to P50,456 million in 2022, gross profit in the Spirits segment increased by 7% from P10,773 million in 2021 to P11,478 million in 2022, and gross profit in the Food segment increased by 2% from P34,804 million in 2021 to P35,439 million in 2022, as a result of an increase in volumes and/or selling prices across the business segments.

Selling and Administrative Expenses
Consolidated selling and administrative expenses increased by 4% from P46,777 million in 2021 to P48,662 million in 2022. Selling and administrative expenses in the Beer and NAB segment increased by 16% from P17,978 million in 2021 to P20,937 million in 2022, selling and administrative expenses in the Spirits segment was maintained at the same level at P5,480 million in 2021 compared to P5,491 million in 2022, and selling and administrative expenses in the Food segment decreased by 5% from to P23,319 million in 2021 to P22,234 million in 2022 (includes expenses of the Parent Company amounting to P64 million and P86 million in 2022 and 2021, respectively). The consolidated increase was primarily due to activities intended to further support volume growth, as well as amendments to the Group's retirement benefits.

Interest Expense and Other Financing Charges
Consolidated interest expense and other financing charges increased by 5% from P3,360 million in 2021 to P3,538 million in 2022. The minimal increase was mainly due to additional loan availments and interest related to the acquisition of land, offset by lower cost of some debt that was refinanced.

Interest Income
Consolidated interest income increased by 75% from P468 million in 2021 to P821 million in 2022. The increase was primarily due to higher money market placements with longer maturity periods and higher interest rates.

Loss on Sale of Investments and Property and Equipment
The Group recognized consolidated loss on sale of investments and property and equipment amounting to P2 million resulting from assets disposed and retired during the period.

Other Charges - Net
The Group recognized other consolidated charges amounting to P223 million in 2022 compared to other charges in 2021 amounting to P197 million. This was primarily due to higher foreign exchange losses due to the depreciation of the peso against the US dollar and decrease in other income, compared to 2021 that had higher other income due to the Beer and NAB segment's Tax Credit Certificates and the Food segment's sale of its trademark. Meanwhile, for 2022, the Beer and NAB and Food segments registered higher closure-related expenses offset by gain on insurance claims.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 12% from P40,802 million in 2021 to P45,769 million in 2022.

Income Tax Expense
The consolidated income tax expense increased by 18% amounting to P11,104 million in 2022 due to higher taxable income of the Group.

Net Income
As a result of the foregoing, the Group's consolidated net income increased by 10% from P31,417 million in 2021 to P34,665 million in 2022. Net income of the Beer and NAB segment increased by 6% from P20,449 million in 2021 to P21,750 million in 2022, net income of the Spirits segment increased by 9% from P4,179 million in 2021 to P4,547 million in 2022, and net income of the Food segment increased by 23% from P6,789 million in 2021 to P8,368 million in 2022 (inclusive of operating and interest expenses of the Parent Company amounting to P850 million).

Non-Controlling Interests
Share of non-controlling interests in the Group's net income increased by 7% from P11,626 million in 2021 to P12,402 million in 2022 mainly due to the higher net income of the Group.

Net Income after Tax and Non-Controlling Interests
As a result of the foregoing, the Group's consolidated net income after tax and non-controlling interests increased by 12% to P22,263 million for the year ended December 31, 2022 versus the P19,791 million for the year ended December 31, 2021. Net income after tax and non-controlling interests of the Beer and NAB segment increased by 7% from P10,247 million in 2021 to P10,987 million in 2022, net income after tax and non-controlling interests of the Spirits segment increased by 9% from P3,167 million in 2021 to P3,446 million in 2022, and net income after tax and non-controlling interests of the Food segment increased by 23% from P6,377 million in 2021 to P7,830 million in 2022 (inclusive of operating and interest expenses of the Parent Company amounting to P850 million).

Business Highlights for the year ended December 31, 2022

Beer and NAB
The Beer and NAB segment displayed strong performance in 2022 with consolidated revenues of P136,230 million, 17% higher than 2021's revenue.

Cost of sales increased by 20% to P85,774 million as of December 2022 with the higher sales volume of both domestic and international operations, and the increase in excise tax rate in the Philippines. The domestic operations accounted for P77,593 million, while the international operations recorded US$150 million.

Consequently, income from operations rose to P29,519 million, 10% higher than in 2021.

The business' robust performance was driven by brand-building and demand-generating programs in key channels on back of the country's positive economic growth, eased restrictions and continued market reopening.

Domestic Beer Operations

Domestic operations performed strongly in 2022 reaching revenue of P121,849 million driven by the significant volume growth, better brand mix and the full year impact of the October 2021 price increase. Alcoholic beverages' accelerated growth was attributed to engaging brand campaigns, demand-generation and defense programs in relevant channels.

Income from operations of P26,993 million for 2022 was 7% higher than P25,224 million in 2021. The upbeat performance of SMB was supported by relevant tradigital campaigns complemented by visibility drive and channel-specific consumer promos to further boost demand and improve value proposition of SMB brands.

As a result, net income rose 5% over 2021 to P19,542 million.

International Beer Operations

SMBIL registered US$264 million in consolidated revenue for the year 2022, 16% higher than in 2021 as a result of the 15% increase in volumes.

SMBIL's global San Miguel brands volumes registered double-digit growth, translating to a 22% increase versus 2021 volumes, reduced by the slight decline in local brands sales, particularly Blue Ice in Hong Kong and W1n Bia in Vietnam. Thailand, Indonesia and Exports operations consistently recorded high growth rates. Thailand operations posted 135% volume growth from 2021 due to the implementation of multi-channel programs, aided by the continued reopening of the economy and revival of tourism. On-premise recovery programs, expanded penetration and tele-sales initiatives, as well as the continued growth of the modern trade off-premise channel drove the increase in sales. Volumes of Indonesia operations remained favorable driven by distributor and wholesaler incentive programs, as well as the continuing recovery in the on-premise outlets and return of tourists and local visitors in Batam and in Bali. SMBIL's Exports business sustained its volume growth momentum from 2021 driven by programs in the modern trade off-premise and wholesaler channels. Meanwhile, sales in Hong Kong, South China and Vietnam operations were lower at year-end but are showing signs of recovery. The dynamic zero-COVID-19 policy, while keeping infections and fatality rates low, resulted in curbs and restrictions that affected the volumes of Hong Kong and South China operations. With focused programs to recover volume since late April 2022, San Miguel Brewery Hong Kong Limited was able to narrow down the volume decline to just 6% lower versus 2021. South China operations' domestic volume decline was reduced to 8% in the second semester of 2022 versus the 18% in the first semester as the government implemented less restrictive COVID-19 measures in on-premise outlets beginning third quarter of 2022, aided by the continued re-penetration drive program with wholesaler incentive trade support. The extended on-premise and domestic restrictions in the first semester of 2022 largely affected the volumes in Vietnam but was cushioned by the growth of San Miguel brands in the last half of the year as a result of sales expansion programs.

SMBIL's consolidated operating income for the year 2022 was higher by 33% at US$46 million, largely driven by favorable volumes, increased selling prices and managed fixed expenses, tempered by increasing production costs.

Spirits

The Spirits segment delivered another solid performance in 2022, setting a new record high in sales and profits. Sales grew 11% to P47,336 million in 2022, as a result of a 7% increase in volumes to an all-time high of approximately 45 million cases, as well as modest price increases. Similarly, cost of sales increased by 13% from 2021, mainly related to higher volume sold. This resulted to gross profit of P11,478 million which is 7% higher than that in 2021.

Interest expense and other financing charges increased in 2022 versus 2021, primarily related to the retirement plan's actuarial valuation. On the other hand, interest income posted a 245% increase from 2021 due to higher money market placements with higher interest rates.

Net other charges amounting to P6 million was also recognized in contrast to net other income from 2021 due to the depreciation of the peso against the US dollar resulting to foreign exchange and marked-to-market losses.

With the sustained revenue growth coupled with effective cost management, the Spirits segment's net income increased by 9% to P4,547 million versus 2021.

Food

The Food segment sustained strong top line performance throughout the year and delivered consolidated revenues of P175,287 million, 16% higher than in 2021. Most businesses delivered double-digit revenue growth on account of volume growth, as well as better selling prices as a result of purposive price hikes to partly cushion impact of rising cost of major raw materials and other manufacturing input costs.

> The Protein business, comprised of poultry and fresh meats, registered higher revenues at P67,938 million, up by 4% compared to 2021's level. Revenues of the poultry business grew by 10%, as tight supply kept selling prices of chicken on the high side. Continuous recovery of out-of-home dining resulted in the foodservice segment's increased demand for chicken. The Magnolia Chicken Timplados® line continued to benefit from positive market acceptance, boosting sales volume achievement. Meanwhile, revenues of the fresh meats business declined against 2021's level alongside downsized hog operations. Pork selling prices remain elevated due to a shortage in the pork industry supply brought about by the prolonged impact of ASF.

> The Animal Nutrition and Health business posted revenues of P42,811 million, 26% higher compared to full year 2021, driven by better selling prices and increased volume. Amidst a series of price increases implemented to partly pass-on the impact of higher raw material costs, sales volume of broiler, layer and hog feeds still grew, primarily enabled by superior feed quality and consistent supply availability. Sustained recovery of hog feeds, opening of new accounts, and wider distribution also contributed to volume growth.

> The Prepared and Packaged Food business, consisting of the processed meats, ready-to-eat and plant-based food, dairy, spreads and coffee businesses, registered revenues of P49,706 million, rising by 17% against 2021 level. The frozen processed meats category sustained volume growth momentum, led by Tender Juicy® Hotdogs, Purefoods Chicken Nuggets and Purefoods native line. Volume growth of the canned processed meats category, on the other hand, was led by Purefoods Corned Beef, Purefoods Luncheon Meat and Star canned products. Magnolia's butter, cheese, flour premix and salad aids, as well as San Mig Coffee's Sugarfree, Original and Barako variants, likewise recorded volume growth.

The Food segment's cost of sales at P139,848 million was 20% higher than same period in 2021. Driving the increase were sales volume growth and higher prices of key manufacturing inputs. Costs of major raw materials such as wheat, corn, soybean meal, imported meat, dairy, and other materials, as well as fuel and power, all rose to unprecedented levels. The continuing Russia-Ukraine tension, global supply constraints, and the impact of the Philippine peso depreciation also contributed to inflationary increase in production costs.

Despite sharp cost increases, the Food segment's gross profit reached P35,439 million, up 2% from 2021.

Selling and administrative expenses were well-contained at P22,170 million, 5% lower than in 2021, through prudent fixed cost spending, optimized utilization of company-owned plants and warehouses, and judicious spending on revenue-generating advertising and promotional costs.

As a result, the Food segment's operating income rose to P13,270 million, 15% higher compared to in 2021.

III. FINANCIAL POSITION

2023 vs 2022

			Horizontal Analysis Increase (Decrease)		Vertical Analysis	
(in millions)	December 2023	December 2022	Amount	%	2023	2022
ASSETS						
Current Assets						
Cash and cash equivalents	57,007	41,099	15,908	39%	16%	12%
Trade and other receivables - net	25,869	22,110	3,759	17%	7%	7%
Inventories	43,096	60,746	17,650)	(29%)	12%	18%
Current portion of biological assets - net	3,515	3,418	97	3%	1%	1%
Prepaid expenses and other current assets	6,216	5,412	804	15%	2%	2%
Assets held for sale	186	172	14	8%	0%	0%
Total Current Assets	135,889	132,957	2,932	2%	38%	39%
Noncurrent Assets						
Investments - net	17,128	17,143	(15)	(0%)	5%	5%
Property, plant and equipment - net	118,000	106,611	11,389	11%	33%	31%
Right-of-use assets - net	4,633	5,171	(538)	(10%)	1%	2%
Investment property - net	3,537	3,638	(101)	(3%)	1%	1%
Biological assets - net of current portion	2,667	2,671	4)	(0%)	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,444	39,365	79	0%	11%	12%
Deferred tax assets	3,209	2,510	699	28%	1%	1%
Other noncurrent assets - net	30,272	28,416	1,856	7%	9%	8%
Total Noncurrent Assets	219,886	206,521	13,365	6%	62%	61%
Total Assets	**355,775**	**339,478**	**16,297**	**5%**	**100%**	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	14,684	21,055	(6,371)	(30%)	4%	6%
Trade payables and other current liabilities	65,288	62,536	2,752	4%	18%	18%
Lease liabilities - current portion	418	432	(14)	(3%)	0%	0%
Income and other taxes payable	9,668	5,474	4,194	77%	3%	2%
Dividends payable	79	67	12	18%	0%	0%
Current maturities of long-term debt - net of debt issue costs	12,871	506	12,365	2444%	4%	0%
Total Current Liabilities	103,008	90,070	12,938	14%	29%	27%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	69,939	77,733	(7,794)	(10%)	20%	23%
Deferred tax liabilities	26	23	3	13%	0%	0%
Lease liabilities – net of current portion	4,758	5,041	(283)	(6%)	1%	1%
Other noncurrent liabilities	8,929	7,538	1,391	18%	3%	2%
Total Noncurrent Liabilities	83,652	90,335	(6,683)	(7%)	24%	27%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	103%	108%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(92%)	(97%)
Equity reserves	(2,094)	(836)	(1,258)	150%	(1%)	(0%)
Retained earnings:						
Appropriated	45,392	31,366	14,026	45%	13%	9%
Unappropriated	50,996	57,860	(6,864)	(12%)	14%	17%
Treasury stock	(30,182)	(30,182)	-	0%	(8%)	(9%)
Equity Attributable to Equity Holders of the Parent Company	109,190	103,286	5,904	6%	31%	30%
Non-controlling Interests	59,925	55,787	4,138	7%	17%	16%
Total Equity	169,115	159,073	10,042	6%	48%	47%
Total Liabilities and Equity	**355,775**	**339,478**	**16,297**	**5%**	**100%**	**100%**

Consolidated total assets as of December 31, 2023 amounted to P355,775 million, 5% or P16,297 million higher than as of December 31, 2022. The increase was primarily due to higher ending cash and receivable levels, and expansion projects of the Group. Consolidated total liabilities as of December 31, 2023 amounted to P186,660 million, 3% or P6,255 million higher than in December 31, 2022. The increase was primarily due to the availment of long-term debt of the Beer and NAB segment, and short-term loans of the Spirits segment.

Cash and cash equivalents increased by 39% or by P15,908 due to higher cash generated from operations, proceeds from transfer of product rights, and deferred VAT remittance that was offset by payment of dividends and funding of investing activities.

Trade and other receivables increased by 17% or by P3,759 relative to higher sales and interest receivables from higher money market placements.

Inventories decreased by 29% or by P17,650 million mainly due to the normalized level coming from the high level in December 2022 due to purposive buying of raw materials at that time in anticipation of price increases, depletion of hedged meat materials, and higher production volumes.

Prepaid expenses and other current assets increased by 15% or by P804 million due to higher input tax balance as of the end of the year as a result of the BIR's implementation of quarterly filing of VAT starting 2023 compared to the usual monthly filings in the prior year, the Beer and NAB Segment's receipt of Tax Credit Certificate from tax refund cases, and higher excise tax prepayments.

Property, plant and equipment increased by 11% or by P11,389 million mainly due to the expansion projects of the Food and Beer and NAB segments.

Right-of-use assets decreased by 10% or by P538 million mainly due to the depreciation of assets.

Deferred tax assets increased by 28% or by P699 million mainly due to the recognition of deferred tax on provision for inventory losses and adjustment on retirement costs of the Group based on latest actuarial valuation report of retirement plans.

Other noncurrent assets increased by 7% or by P1,856 million due to the Food segment's deposits on land for future development and reclassification of some property, plant and equipment as idle assets, and the Beer and NAB segment's higher provision for deferred containers.

Notes payable decreased by 30% or by P6,371 million mainly due to the Food segment's settlement of short-term loans, partially offset by the Spirits segment's new availment.

Income and other taxes payable increased by 77% or by P4,194 million due to the higher taxable income of the Group and higher VAT payable due to the implementation of quarterly remittances starting 2023 as compared to 2022's monthly filing.

Dividends payable increased by 18% or by P12 million mainly due to higher unclaimed dividends relative to higher dividends declared during the year.

Long-term debt had a net increase of 6% or P4,571 million mainly due to the availment of long-term loan of the Beer and NAB segment.

Other noncurrent liabilities increased by 18% or by P1,391 million mainly due to the Group's increase in retirement liabilities based on latest actuarial valuation report of retirement plans.

Consolidated total equity as of December 31, 2023 amounted to P169,115 million, 6% or P10,042 million higher than as of December 31, 2022. The increase was primarily due to the net income amounting to P38,105 million which was offset by the dividends declared by the Group amounting P26,390 million.

2022 vs 2021

(in millions)	December 2022	December 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2022	2021
ASSETS						
Current Assets						
Cash and cash equivalents	41,099	41,581	(482)	(1%)	12%	14%
Trade and other receivables - net	22,110	22,857	(747)	(3%)	7%	8%
Inventories	60,746	44,429	16,317	37%	18%	15%
Current portion of biological assets - net	3,418	3,106	312	10%	1%	1%
Prepaid expenses and other current assets	5,412	6,357	(945)	(15%)	2%	2%
Asset held for sale	172	-	172	0%	0%	0%
Total Current Assets	132,957	118,330	14,627	12%	39%	40%
Noncurrent Assets						
Investments - net	17,143	5,157	11,986	232%	5%	2%
Property, plant and equipment - net	106,611	91,085	15,526	17%	31%	31%
Right-of-use assets - net	5,171	4,747	424	9%	2%	2%
Investment property - net	3,638	3,385	253	7%	1%	1%
Biological assets - net of current portion	2,671	2,244	427	19%	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,365	39,160	205	1%	12%	13%
Deferred tax assets	2,510	2,137	373	17%	1%	1%
Other noncurrent assets - net	28,416	30,383	(1,967)	(6%)	8%	10%
Total Noncurrent Assets	206,521	179,294	27,227	15%	61%	60%
Total Assets	**339,478**	**297,624**	**41,854**	**14%**	**100%**	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	21,055	5,191	15,864	306%	6%	2%
Trade payables and other current liabilities	62,536	60,817	1,719	3%	18%	20%
Lease liabilities - current portion	432	412	20	5%	0%	0%
Income and other taxes payable	5,474	5,605	(131)	(2%)	2%	2%
Dividends payable	67	57	10	18%	0%	0%
Current maturities of long-term debt - net of debt issue costs	506	7,180	(6,674)	(93%)	0%	2%
Total Current Liabilities	90,070	79,262	10,808	14%	27%	27%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	77,733	66,225	11,508	17%	23%	22%
Deferred tax liabilities	23	26	(3)	(12%)	0%	0%
Lease liabilities – net of current portion	5,041	4,422	619	14%	1%	1%
Other noncurrent liabilities	7,538	2,227	5,311	238%	2%	1%
Total Noncurrent Liabilities	90,335	72,900	17,435	24%	27%	24%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	108%	123%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(97%)	(110%)
Equity reserves	(836)	(950)	114	(12%)	(0%)	(0%)
Retained earnings:	-	-				
Appropriated	57,860	48,448	9,412	19%	17%	16%
Unappropriated	31,366	31,043	323	1%	9%	10%
Treasury stock	(30,182)	(30,182)	-	0%	(9%)	(10%)
Equity Attributable to Equity Holders of the Parent Company	103,286	93,437	9,849	11%	30%	31%
Non-controlling Interests	55,787	52,025	3,762	7%	16%	17%
Total Equity	159,073	145,462	13,611	9%	47%	49%
Total Liabilities and Equity	**339,478**	**297,624**	**41,854**	**14%**	**100%**	**100%**

Consolidated total assets as of December 31, 2022 amounted to P339,478 million, 14% or P41,854 million higher than as of December 31, 2021. The increase was primarily due to higher ending inventory levels, additional investments, and expansion projects of the Group. Consolidated total liabilities as of December 31, 2022 amounted to P180,405 million, 19% or P28,243 million higher than in December 31, 2021. The increase was primarily due to the availment of long-term debt of the Beer and NAB segment, and short-term loans of the Food segment.

Inventories increased by 37% or by P16,317 million on account of higher cost of raw materials and higher level of raw materials and finished goods as compared to 2021's ending inventory levels.

Prepaid expenses and other current assets decreased by 15% or by P945 million as a result of the application of creditable withholding taxes to income tax payable and lower input taxes.

Investments increased by 232% or by P11,986 million primarily due to investment in debt instruments and higher valuation of club shares.

Property, plant and equipment increased by 17% or by P15,526 million mainly due to the expansion projects of the Food and Beer and NAB segments.

Investment property increased by 7% or by P253 million due to the reclassification of a portion of property from owner-occupied and previous deposits to investment property.

Right-of-use assets increased by 9% or by P424 million due to additional set up for leased assets.

Biological assets went up 14% or by P739 million due to the Food segment's increase in breeding stocks and rising input costs.

Deferred tax assets increased by 17% or by P373 million due to the effect of actuarial valuation and adjustments on retirement plans of the Group and the Beer and NAB segment's higher provision for deferred containers.

Notes payable increased by 306% or by P15,864 million mainly due to the Food segment's additional availments of short-term loans.

Dividends payable increased by 18% or by P10 million mainly due to the increase in unclaimed dividends payable of the Group.

Long-term debt had a net increase of 7% or P4,834 million due to the availment of long-term loans of the Beer and NAB segment.

Other noncurrent liabilities increased by 238% or by P5,311 million mainly due to the Food segment's purchase of properties on account, and the Beer and NAB segment's recognition of retirement liabilities.

Consolidated total equity as of December 31, 2022 amounted to P159,073 million, 9% or P13,611 million higher than as of December 31, 2021. The increase was primarily due to the net income amounting to P34,665 million which was offset by the dividends declared by the Group amounting P21,380 million.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
(in Millions)	**2023**	2022	2021
Net cash flows provided by operating activities	P76,831	P39,811	P44,478
Net cash flows used in investing activities	(27,690)	(35,425)	(16,689)
Net cash flows used in financing activities	(33,194)	(5,698)	(23,673)

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

Net cash used in investing activities include the following:

	December 31		
(in Millions)	**2023**	2022	2021
Additions to investments, property, plant and equipment and investment property	(P15,748)	(P26,463)	(P10,874)
Increase in biological assets, intangible assets and other noncurrent assets	(15,153)	(9,860)	(6,660)
Interest received	2,937	730	446
Dividends received	139	137	123
Proceeds from sale of investments and property and equipment	135	31	276

Net cash used in financing activities consist of the following:

	December 31		
(in Millions)	**2023**	2022	2021
Proceeds from short-term and long-term borrowings	P232,332	P112,453	P106,138
Payments of short-term and long-term borrowings	(234,255)	(91,862)	(105,518)
Cash dividends paid	(26,378)	(21,370)	(18,404)
Payments of lease liabilities	(520)	(603)	(596)
Interest paid	(5,442)	(4,316)	(4,155)
Share issuance costs	(1)	-	11
Decrease in non-controlling interests	-	-	(1,000)
Increase (decrease) in other non-current liabilities	1,070	-	(149)

The effect of exchange rate changes on cash and cash equivalents amounted to (P39) million, P830 million and P452 million for the periods ended December 31, 2023, 2022 and 2021, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company as at December 31, 2023 and 2022 is restricted in the amount of P182 million representing the cost of common shares held in treasury.

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

VI. KEY PERFORMANCE INDICATORS

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

KPI	As of December 31, 2023	As of December 31, 2022
Liquidity:		
Current Ratio	1.32	1.48
Quick Ratio	0.81	0.70
Solvency:		
Debt to Equity Ratio	1.10	1.13
Asset to Equity Ratio	2.10	2.13
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	21.76%	22.63%
Interest Rate Coverage Ratio	11.50	13.94
Return on Assets	10.96%	10.88%

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Operating Efficiency:		
Volume Growth	0.60%	6.00%
Revenue Growth	5.84%	15.84%
Operating Margin	12.75%	13.57%

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

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

* *Excluding cash dividends paid to preferred shareholders*

** *Excluding preferred capital stock and related additional paid-in capital*

VII. OTHER MATTERS

a) Commitments

The outstanding purchase commitments of the Group as at December 31, 2023 and 2022 amounted to P71,832 million and P67,751 million, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

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

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

d) There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate any cash flow or liquidity problems within the next 12 months. The Group was not in default or breach in any material respect of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.

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

f) There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation, and there were no material changes in contingent liabilities and contingent assets, except for Note 38 of the Audited Consolidated Financial Statements as at December 31, 2023.

g) There are no significant elements of income or loss that did not arise from continuing operations.

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

i) There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

SEC eFast Initial Acceptance

noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>

Mon 15-Apr-24 6:25 PM

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SEC Registration No: 0000011840
Company Name: SAN MIGUEL FOOD AND BEVERAGE, INC.
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Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement
8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)

Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

SAN MIGUEL
FOOD AND BEVERAGE, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of San Miguel Food and Beverage, Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

FERDINAND K. CONSTANTINO
Treasurer

ILDEFONSO B. ALINDOGAN
Vice-President and Chief Finance Officer

Signed this 6th day of March 2024

ACKNOWLEDGEMENT

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

Before me, a Notary Public for and in **PASIG CITY** City this MAR 1 9 2024 day of ________________ 2024, personally appeared:

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

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

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

Doc. No. 508 ;
Page No. 103 ;
Book No. XXIII ;
Series of 2024

MA. CELESTE J. LEGASPI
Notary Public for Pasig City
Commission until 31 December 2024
100 E. Rodriguez Jr. Avenue (C5 Road)
Barangay Ugong, Pasig City 1604
APPT No. 17 (2023-2024)/Roll No. 47611
IBP No. 402827; 1/5/2024; RSM
PTR No. 1650270; 1/4/2024; Pasig City
MCLE Compliance No. VII-0019519: 5/30/2022

ANNEX "B"

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023, 2022 and 2021

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the consolidated financial statements of San Miguel Food and Beverage, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, 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, 2023, and notes, comprising summary of material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Key Audit Matters

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

Impairment Testing of Trademarks and Brand Names (P37,030 million)
Refer to Note 16 to the consolidated financial statements.

The risk
The Group has assessed that the trademarks and brand names have indefinite useful lives considering that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group. Trademarks and brand names represent 10% of the consolidated total assets of the Group. As required by Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, impairment testing is required annually for intangible assets with indefinite useful lives, irrespective of whether there is an indication that the related assets may be impaired.

We focused on this area because of the subjectivity and complexity of determining the recoverable amounts which involve significant estimation uncertainty. As a result, we assessed that the impairment testing is a key audit matter.

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

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

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

- With the involvement of our internal valuation specialist, we tested the principles and reasonableness of the discounted cash flows used in the impairment model through review of management's forecast against historical actual results. We challenged the Group's key assumptions used in the cash flow projections through benchmarking with externally derived data such as projected economic and industry growth rates, cost of inflation and recalculation of Group's weighted average cost of capital using market comparable information. We performed sensitivity analysis for the assumptions used.

- We have also assessed the appropriateness and adequacy of the Group's disclosures, including the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation of Trademarks and Brandnames.

Revenue Recognition (P379,822 million)
Refer to Notes 6, 22 and 30 to the consolidated financial statements.

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

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

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

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

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

- Where applicable, using Data and Analytics, we performed matching of sales invoices and collection receipts or matching of sales invoices, delivery receipts and collection receipts to ascertain that the revenue recognition criteria is met. For unmatched items, we vouched sales transactions to supporting documentation such as sales invoices and/or delivery documents acknowledged by the customers and traced to related trade receivable balance.

- On a sampling basis, we checked the sales transactions to the sales invoice and/or delivery documents acknowledged by the customers and collection receipts.

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

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

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

R.G. MANABAT & CO.

JOSE P. JAVIER, JR.
Partner
CPA License No. 0070807
Tax Identification No. 112-071-224
BIR Accreditation No. 08-001987-046-2022
Issued October 17, 2022; valid until October 17, 2025
PTR No. MKT 10075183
Issued January 2, 2024 at Makati City

April 12, 2024
Makati City, Metro Manila

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

(In Millions)

	Note	**2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 7, 33, 34*	**P57,007**	P41,099
Trade and other receivables - net	*4, 8, 30, 33, 34*	**25,869**	22,110
Inventories	*4, 9*	**43,096**	60,746
Current portion of biological assets - net	*4, 10*	**3,515**	3,418
Prepaid expenses and other current assets	*11, 30, 33, 34*	**6,216**	5,412
Assets held for sale	*5, 16, 27*	**186**	172
Total Current Assets		**135,889**	132,957
Noncurrent Assets			
Investments - net	*4, 12, 33, 34*	**17,128**	17,143
Property, plant, and equipment - net	*4, 13*	**118,000**	106,611
Right-of-use assets - net	*4, 14*	**4,633**	5,171
Investment property - net	*4, 15*	**3,537**	3,638
Biological assets - net of current portion	*4, 10*	**2,667**	2,671
Goodwill - net	*4, 16*	**996**	996
Other intangible assets - net	*4, 16*	**39,444**	39,365
Deferred tax assets	*4, 28*	**3,209**	2,510
Other noncurrent assets - net	*4, 17, 29, 30, 33, 34*	**30,272**	28,416
Total Noncurrent Assets		**219,886**	206,521
		P355,775	P339,478
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*18, 30, 33, 34*	**P14,684**	P21,055
Trade payables and other current liabilities	*19, 30, 33, 34*	**65,288**	62,536
Lease liabilities - current portion	*4, 32, 33, 34*	**418**	432
Income and other taxes payable		**9,668**	5,474
Dividends payable	*21*	**79**	67
Current maturities of long-term debt - net of debt issue costs	*20, 33, 34*	**12,871**	506
Total Current Liabilities		**103,008**	90,070

Forward

	Note	**2023**	2022
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*20, 33, 34*	**P69,939**	P77,733
Deferred tax liabilities	*28*	**26**	23
Lease liabilities - net of current portion	*4, 32, 33, 34*	**4,758**	5,041
Other noncurrent liabilities	*4, 29, 30, 33, 34*	**8,929**	7,538
Total Noncurrent Liabilities		**83,652**	90,335
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	*21*	**6,251**	6,251
Additional paid-in capital	*21*	**366,620**	366,620
Equity adjustments from common control transactions	*21*	**(327,793)**	(327,793)
Equity reserves		**(2,094)**	(836)
Retained earnings:	*21*		
Appropriated		**45,392**	31,366
Unappropriated		**50,996**	57,860
Treasury stock	*21*	**(30,182)**	(30,182)
		109,190	103,286
Non-controlling Interests	*2, 5*	**59,925**	55,787
Total Equity		**169,115**	159,073
		P355,775	P339,478

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

(In Millions, Except Per Share Data)

	Note	**2023**	2022	2021
SALES	*6, 22, 30*	**P379,822**	P358,853	P309,778
COST OF SALES	*23, 30*	**279,222**	261,480	219,306
GROSS PROFIT		**100,600**	97,373	90,472
SELLING AND ADMINISTRATIVE EXPENSES	*24, 30*	**(52,189)**	(48,662)	(46,777)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*18, 20, 27*	**(4,752)**	(3,538)	(3,360)
INTEREST INCOME	*7, 27, 30*	**3,067**	821	468
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*12, 13*	**(2)**	(2)	196
OTHER INCOME (CHARGES) - Net	*27*	**3,154**	(223)	(197)
INCOME BEFORE INCOME TAX		**49,878**	45,769	40,802
INCOME TAX EXPENSE	*28*	**11,773**	11,104	9,385
NET INCOME		**P38,105**	P34,665	P31,417
Attributable to:				
Equity holders of the Parent Company		**P23,118**	P22,263	P19,791
Non-controlling interests	*5*	**14,987**	12,402	11,626
		P38,105	P34,665	P31,417
Basic and Diluted Earnings per Common Share Attributable to Equity Holders of the Parent Company	*31*	**P3.91**	P3.77	P3.35

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

(In Millions)

	Note	**2023**	2022	2021
NET INCOME		**P38,105**	P34,665	P31,417
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on reserve for retirement plan	*29*	**(2,155)**	(1,849)	1,312
Income tax benefit (expense)	*28*	**548**	457	(499)
Share in other comprehensive loss of joint ventures	*12*	**-**	-	(4)
Net gain on financial assets at fair value through other comprehensive income		**23**	5	3
		(1,584)	(1,387)	812
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		**(88)**	1,713	818
		(88)	1,713	818
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(1,672)**	326	1,630
TOTAL COMPREHENSIVE INCOME - Net of tax		**P36,433**	P34,991	P33,047
Attributable to:				
Equity holders of the Parent Company		**P21,860**	P22,377	P20,618
Non-controlling interests	*5*	**14,573**	12,614	12,429
		P36,433	P34,991	P33,047

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company														
						Equity Reserves										
		Capital Stock		Additional Paid-in	Equity Adjustments from Common	Reserve for Retirement	Fair Value	Translation	Other Equity	Retained Earnings		Treasury Stock			Non-controlling	Total
	Note	**Common**	**Preferred**	**Capital**	**Control Transactions**	**Plan**	**Reserve**	**Reserve**	**Reserve**	**Appro-priated**	**Unappro-priated**	**Common**	**Preferred**	**Total**	**Interests**	**Equity**
As at January 1, 2023		**P5,951**	**P300**	**P366,620**	**(P327,793)**	**(P1,880)**	**P12**	**P1,109**	**(P77)**	**P31,366**	**P57,860**	**(P182)**	**(P30,000)**	**P103,286**	**P55,787**	**P159,073**
Remeasurement loss on reserve for retirement plan, net of deferred tax	*29*	-	-	-	-	(1,237)	-	-	-	-	-	-	-	(1,237)	(370)	(1,607)
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	(43)	-	-	-	-	-	(43)	(45)	(88)
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	22	-	-	-	-	-	-	22	1	23
Other comprehensive income (loss)		-	-	-	-	(1,237)	22	(43)	-	-	-	-	-	(1,258)	(414)	(1,672)
Net income		-	-	-	-	-	-	-	-	-	23,118	-	-	23,118	14,987	38,105
Total comprehensive income (loss)		-	-	-	-	(1,237)	22	(43)	-	-	23,118	-	-	21,860	14,573	36,433
Share issuance cost		-	-	-	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Appropriations - net	*21*	-	-	-	-	-	-	-	-	14,026	(14,026)	-	-	-	-	-
Cash dividends declared	*21*	-	-	-	-	-	-	-	-	-	(15,955)	-	-	(15,955)	(10,435)	(26,390)
As at December 31, 2023		**P5,951**	**P300**	**P366,620**	**(P327,793)**	**(P3,117)**	**P34**	**P1,066**	**(P77)**	**P45,392**	**P50,996**	**(P182)**	**(P30,000)**	**P109,190**	**P59,925**	**P169,115**

Forward

		Equity Attributable to Equity Holders of the Parent Company														
						Equity Reserves										
		Capital Stock		Additional Paid-in	Equity Adjustments from Common	Reserve for Retirement	Fair Value	Translation	Other Equity	Retained Earnings		Treasury Stock			Non-controlling	Total
	Note	Common	Preferred	Capital	Control Transactions	Plan	Reserve	Reserve	Reserve	Appro-priated	Unappro-priated	Common	Preferred	Total	Interests	Equity
As at January 1, 2022		P5,951	P300	P366,620	(P327,793)	(P1,131)	P12	P246	(P77)	P31,043	P48,448	(P182)	(P30,000)	P93,437	P52,025	P145,462
Remeasurement loss on reserve for retirement plan, net of deferred tax	*29*	-	-	-	-	(749)	-	-	-	-	-	-	-	(749)	(643)	(1,392)
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	858	-	-	-	-	-	858	855	1,713
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	5	-	-	-	-	-	5	-	5
Other comprehensive income (loss)		-	-	-	-	(749)	-	863	-	-	-	-	-	114	212	326
Net income		-	-	-	-	-	-	-	-	-	22,263	-	-	22,263	12,402	34,665
Total comprehensive income (loss)		-	-	-	-	(749)	-	863	-	-	22,263	-	-	22,377	12,614	34,991
Appropriations - net	*21*	-	-	-	-	-	-	-	-	323	(323)	-	-	-	-	-
Cash dividends declared	*21*	-	-	-	-	-	-	-	-	-	(12,528)	-	-	(12,528)	(8,852)	(21,380)
As at December 31, 2022		P5,951	P300	P366,620	(P327,793)	(P1,880)	P12	P1,109	(P77)	P31,366	P57,860	(P182)	(P30,000)	P103,286	P55,787	P159,073

Forward

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

See Notes to the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

(In Millions)

	Note	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P49,878**	P45,769	P40,802
Adjustments for:				
Depreciation and amortization and others - net	*25*	**16,164**	13,911	12,094
Interest expense and other financing charges	*27*	**4,752**	3,538	3,360
Impairment losses on receivables and write-down of inventories	*8, 9*	**779**	1,169	1,061
Retirement costs	*29*	**843**	842	2,576
Net other charges (gain) on derivative transactions		**(45)**	89	325
Loss (gain) on sale of investments and property and equipment		**(790)**	2	(196)
Impairment loss on property, plant and equipment and other noncurrent assets	*27*	**-**	(31)	455
Gain on fair valuation of agricultural produce	*9*	**(8)**	(17)	(26)
Interest income	*27*	**(3,067)**	(821)	(468)
Dividend income		**(139)**	(137)	(123)
Operating income before working capital changes		**68,367**	64,314	59,860
Decrease (increase) in:				
Trade and other receivables		**(3,757)**	801	(2,805)
Inventories		**17,444**	(16,608)	(9,328)
Current portion of biological assets		**(96)**	(312)	295
Prepaid expenses and other current assets		**(725)**	275	573
Increase in trade payables and other current liabilities		**8,251**	3,380	5,725
Cash generated from operations		**89,484**	51,850	54,320
Contributions paid	*29*	**(1,274)**	(654)	(894)
Interest paid		**(5,443)**	(4,316)	(4,155)
Income taxes paid		**(11,379)**	(11,385)	(8,948)
Net cash flows provided by operating activities		**71,388**	35,495	40,323

Forward

	Note	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments and property and equipment		**P135**	P31	P276
Increase in biological assets, intangible assets and other noncurrent assets	*10, 16, 17*	**(15,153)**	(9,860)	(6,660)
Additions to investments, property, plant and equipment and investment property	*12, 13, 15*	**(15,748)**	(26,463)	(10,874)
Dividends received		**139**	137	123
Interest received		**2,937**	730	446
Net cash flows used in investing activities		**(27,690)**	(35,425)	(16,689)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings	*18*	**227,369**	100,543	87,280
Long-term borrowings	*20*	**4,963**	11,910	18,858
Increase (decrease) in other noncurrent liabilities		**1,070**	-	(149)
Decrease to non-controlling interests		**-**	-	(1,000)
Payments of:				
Lease liabilities	*27, 32*	**(520)**	(603)	(596)
Long-term borrowings	*20*	**(514)**	(7,183)	(12,645)
Short-term borrowings	*18*	**(233,740)**	(84,679)	(92,873)
Cash dividends paid	*21*	**(26,378)**	(21,370)	(18,404)
Share issuance costs		**(1)**	-	11
Net cash flows used in financing activities		**(27,751)**	(1,382)	(19,518)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(39)**	830	452
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**15,908**	(482)	4,568
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**41,099**	41,581	37,013
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P57,007**	P41,099	P41,581

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Unless Otherwise Indicated)

1. Reporting Entity

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

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

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

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

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

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

2. Basis of Preparation

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 6, 2024.

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

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

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

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

	Percentage of Ownership		Country of Incorporation
	2023	2022	
Food			
San Miguel Mills, Inc. (SMMI) and subsidiaries [including Golden Bay Grain Terminal Corporation and Golden Avenue Corp.(GAC)]	**100.00**	100.00	Philippines
Magnolia Inc. and subsidiary, Golden Food Management, Inc.	**100.00**	100.00	Philippines
San Miguel Foods, Inc. (SMFI) and subsidiaries, Foodcrave Marketing, Inc., San Miguel Foods Mindanao, Inc. (SMFMI) and Artholand Property Development Inc.(APDI)	**99.99**	99.99	Philippines
PT San Miguel Foods Indonesia (PTSMFI) *(1)*	**75.00**	75.00	Indonesia
San Miguel Super Coffeemix Co., Inc. (SMSCCI)	**70.00**	70.00	Philippines
The Purefoods-Hormel Company, Inc. (PF-Hormel)	**60.00**	60.00	Philippines
San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) and subsidiary [including San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.]	**100.00**	100.00	British Virgin Islands (BVI)

Forward

	Percentage of Ownership		Country of
	2023	2022	**Incorporation**
Beer and NAB			
San Miguel Brewery Inc. and Subsidiaries	**51.16**	51.16	Philippines
San Miguel Brewing International Limited and subsidiaries [including Neptunia Corporation Limited and subsidiaries {including San Miguel Company Limited, San Miguel Company Limited (Taiwan Branch), San Miguel Brewery Hong Kong Ltd. (SMBHK) and subsidiaries (including Hong Kong Brewery Limited, San Miguel Shunde Holdings Limited and subsidiary, San Miguel (Guangdong) Brewery Co., Ltd.), San Miguel (Guangdong) Limited and subsidiary, Guangzhou San Miguel Brewery Co. Ltd. [(2)], San Miguel (China) Investment Company Limited (SMCIC) and San Miguel (Baoding) Brewery Co., Ltd.[(3)] (SMBB)}, San Miguel Holdings (Thailand) Limited and subsidiary, San Miguel Beer (Thailand) Limited, San Miguel Marketing (Thailand) Limited and subsidiaries {including Dragon Island Investments Limited, San Miguel (Vietnam) Limited, San Miguel Brewery Vietnam Company Limited, San Miguel Malaysia (L) Pte. Ltd. and Pt. Delta Djakarta Tbk and subsidiary}]			
Iconic Beverages, Inc. (IBI)			
Brewery Properties Inc. (BPI) and subsidiary, Brewery Landholdings, Inc.			
Spirits			
Ginebra San Miguel Inc. and Subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc. (EPSBPI), Ginebra San Miguel International Ltd. (GSMIL), GSM International Holdings Limited (GSMIHL), Global Beverages Holdings Limited, Siam Holdings Limited, Agricrops Industries Inc., Healthy Condiments, Inc. and Crown Royal Distillers, Inc.]	**75.78**	75.78	Philippines

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

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

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

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

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

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

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

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

3. Material Accounting Policies

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

The FSRSC approved the adoption of amendments to standards as part of PFRS.

Adoption of Amendments to Standards

The Group has adopted the following amendments to standards effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

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

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

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

- International Tax Reform - Pillar Two Model Rules (Amendments to PAS 12). The amendments include a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity will be affected by the minimum tax, particularly before the legislation comes into force.

  The accounting exemption is to be applied immediately after publication of the amendment.

The adoption of the amendments to standards did not have a material effect on the consolidated financial statements.

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2023 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amendments to standards on the respective effective dates:

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

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

  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

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

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows,* and PFRS 7, *Financial Instruments: Disclosures).* The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, and noncurrent receivables and deposits, are included under this category (Notes 7, 8, 12, 17, 33 and 34).

Cash includes cash on hand and in banks.

<u>Financial Liabilities</u>

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

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

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

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

<u>Derecognition of Financial Assets and Financial Liabilities</u>

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

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

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

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

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

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

<u>Impairment of Financial Assets</u>
The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

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

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

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

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

Inventories

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

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

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

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

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

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

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

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

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably.

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

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

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

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

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

Business Combination

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

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

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

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

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

- *Goodwill in a Business Combination*

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

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

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

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

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

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

  An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

  A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

- the Group has the right to direct the use of the identified asset.

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Corona Virus Disease 2019 (COVID-19) pandemic are lease modifications. The practical expedient is applied consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

Intangible Assets

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

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

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

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

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

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

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

Deferred Containers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Stock and Additional Paid-in Capital

Common Shares

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

Preferred Shares

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

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

Additional Paid-in Capital

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

Retained Earnings

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

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

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

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

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

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

Revenue from Sale of Food and Beverage

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

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs
The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

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

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax are recognized in the consolidated statements of income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Income and other taxes payable" accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

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

Determining whether a Contract Contains a Lease. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Operating Lease Commitments - Group as Lessor. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the consolidated statements of income amounted to P264, P199 and P181 in 2023, 2022 and 2021, respectively (Notes 27, 30 and 32).

Rent expense recognized in the consolidated statements of income amounted to P2,781, P2,662 and P2,680 in 2023, 2022 and 2021, respectively (Notes 23, 24, 30 and 32).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Evaluating Control over its Investees. Determining whether the Group has control in an investee requires significant judgment. Although the Group owns less than 50% of the voting rights of BPI, management has determined that the Group has control in this entity by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee.

The Group receives substantially all of the returns related to BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (TGT) as joint ventures (Note 12).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The classification and fair values of financial assets and financial liabilities are presented in Note 34.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 34.

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 36).

<u>Estimates and Assumptions</u>
The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade receivables is not material because substantial amount of trade receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Trade receivables written off amounted to P84 and P67 in 2023 and 2022, respectively. The allowance for impairment losses on trade receivables amounted to P275 and P294 as at December 31, 2023 and 2022, respectively. The carrying amount of trade receivables amounted to P22,803 and P19,308 as of December 31, 2023 and 2022, respectively (Note 8).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2023 and 2022.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2023**	2022
Other Financial Assets at Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	*7*	**P55,260**	P40,159
Other current receivables - net (included under “Trade and other receivables - net” account	*8*	**3,948**	3,701
Financial assets at amortized cost (included under “Investments” account)	*12, 33, 34*	**11,500**	11,500
Noncurrent receivables and deposits - net (included under “Other noncurrent assets - net” account)	*17*	**183**	156

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 10, 12, 13, 14, 15, 16, 17, 19 and 34.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P200, P126 and P966 in 2023, 2022 and 2021, respectively (Note 9).

The carrying amounts of inventories amounted to P43,096 and P60,746 as at December 31, 2023 and 2022, respectively (Note 9).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets, Investment Property and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation amounted to P131,752 and P120,759 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of property, plant and equipment amounted to P75,120 and P70,787 as at December 31, 2023 and 2022, respectively (Note 13).

Right-of-use assets, net of accumulated depreciation amounted to P4,721 and P5,259 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of right-of-use assets amounted to P3,112 and P2,814 as at December 31, 2023 and 2022, respectively (Note 14).

Investment property, net of accumulated depreciation amounted to P3,545 and P3,646 at December 31, 2023 and 2022, respectively. Accumulated depreciation of investment property amounted to P815 and P778 as at December 31, 2023 and 2022, respectively (Note 15).

Deferred containers, net of accumulated depreciation, included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position amounted to P25,838 and P25,553 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of deferred containers amounted to P24,948 and P20,510 as at December 31, 2023 and 2022, respectively (Note 17).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, net of accumulated amortization, included as part of "Other intangible assets - net" account in the consolidated statements of financial position, amounted to P221 and P132 as at December 31, 2023 and 2022, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P1,264 and P1,214 as at December 31, 2023 and 2022, respectively (Note 16).

Impairment of Goodwill, Trademarks and Brand Names, Licenses, and Formulas and Recipes, and Franchise with Indefinite Useful Lives. The Group determines whether goodwill, trademarks and brand names, licenses, formulas and recipes, and franchise are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names, licenses, formulas and recipes, and franchise. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names, licenses, formulas and recipes, and franchise and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P996 as at December 31, 2023 and 2022 (Note 16).

The combined carrying amounts of trademarks and brand names, licenses, and formulas and recipes, and franchise with indefinite useful lives amounted to P39,228 and P39,238 as at December 31, 2023 and 2022, respectively (Note 16).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The carrying amounts of goodwill and other intangible assets with indefinite lives arising from business combinations amounted to P40,224 and P40,234 as at December 31, 2023 and 2022, respectively (Note 16).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P3,209 and P2,510 as at December 31, 2023 and 2022, respectively (Note 28).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on non-financial assets amounted to P15,220 and P15,829 as at December 31, 2023 and 2022, respectively (Notes 13, 14, 15, 16 and 17).

The combined carrying amounts of investments, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets amounted to P155,383 and P143,582 as at December 31, 2023 and 2022, respectively (Notes 10, 12, 13, 14, 15, 16 and 17).

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P5,176 and P5,473 as at December 31, 2023 and 2022, respectively (Notes 32, 33, and 34).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P21,998 and P19,110 as at December 31, 2023 and 2022, respectively (Note 29).

5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments in shares of stock of subsidiaries:

a. On January 3, 2022, SMFI and San Miguel Integrated Logistics Services, Inc. (SMILSI) entered into an Absolute Sale agreement, amounting to P1,143 for the purchase of identified assets used in logistics operations subject to certain conditions.

   On December 4, 2023, SMFI incorporated SMFMI, with 175,000,000 common shares subscription amounting to P1.75 billion from SMFMI's authorized stock of 700,000,000 with par value of P10.00 or P7 billion. SMFMI has not started commercial operation as at December 31, 2023.

   On December 22, 2023, SMFI entered into a Share Purchase Agreement with San Miguel Equity Investments Inc. (SMEII) for the acquisition of SMEII's 100% interest in APDI equivalent to 1,020,000,000 shares for total consideration of P1.38 billion payable in three installments.

b. On March 11, 2022, the BOD of Magnolia approved the plan to take steps to liquidate the properties related to the operation of La Pacita biscuit. The related trademark under the Parent Company amounting to P60 was also classified as assets held for sale, which was eventually disposed in March 10, 2023 (Notes 16 and 27).

c. On November 10, 2021, the BOD of the Parent Company ratified the approval on the closure of the operations of PT SMFI effective October 31, 2021. PTSMFI is still in the process of liquidation as of December 31, 2023. The Parent Company has recognized additional provision for impairment of its investment amounting to P122 based on its latest valuation.

d. On January 3, 2022, the SMMI and SMILSI entered into an Absolute Sale agreement, amounting to P244 for the purchase of identified assets used in logistics operations subject to certain conditions.

e. In 2021, GBGTC recognized impairment loss amounting to P38 due to losses incurred from Typhoon Rolly and Ulysses in 2020. Proceeds from insurance claims were fully received as of December 31, 2023.

f. On June 2, 2022, the BOD of GAC approved the increase in the authorized capital stock from P300 divided into 300,000 common shares with a par value of P1,000 per share to P1,000 divided into 1,000,000 common shares with a par value of P1,000 per share.

   On June 13, 2022 the BOD of GAC approved the additional subscription by SMMI of shares of stock in GAC in the amount of P700, equivalent to 700,000 common shares with par value of P1,000 per share, comprising the increase in authorized capital stock of GAC.

   On November 22, 2022, SMMI made advances for future stock subscription amounting to P175 equivalent to 25% of the approved additional subscription of P700. These outstanding subscription receivable was received equally from August until December 2023.

g. On January 3, 2022, PF-Hormel and SMILSI entered into an Absolute Sale agreement, amounting to P583 for the purchase of identified assets used in logistics operations subject to certain conditions.

   On June 1, 2022, PF-Hormel's BOD approved the amendment of PH-Hormel's Articles of Incorporation to change the tradename of the company from The Purefoods- Hormel Company, Inc. to Purefoods-Hormel Manufacturing Business and Purefoods-Hormel- Meat Trading Business. The amended Articles of Incorporation and By- Laws were approved by SEC on November 29, 2022.

h. In March 2020, SMBIL and SMCIC, shareholders of SMBB passed a resolution approving the dissolution of SMBB. SMBB stopped operations and production activities from the date of the resolution and started liquidation. In September 2023, the BOD approved the disposal of its investment in SMBB. As of December 31, 2023 and 2022, GSMB and SMBB are still undergoing liquidation.

i. San Miguel Foods International, Limited (SMFIL)

   On February 10, 2023, the subscription agreement dated February 9, 2015 with subscribed shares of 1,150,000 common shares out of the authorized capital stock for a total subscription price of $1.15 million or $1.00 per common share was terminated effective immediately due to the current business condition of SMFIL. Both SMFIL and the Company shall bear their respective expenses incurred in connection with the cancellation of the proposed subscription by the Company in SMFIL and return of the deposit to the Company.

The details of the Group's material non-controlling interests are as follows:

	December 31, 2023		December 31, 2022	
	SMB	**GSMI**	SMB	GSMI
Percentage of non-controlling interests	**48.84%**	**24.22%**	48.84%	24.22%
Carrying amount of non-controlling interests	**P52,066**	**P5,280**	P49,146	P3,519
Net income attributable to non-controlling interests	**P12,655**	**P1,707**	P10,763	P1,101
Other comprehensive income (loss) attributable to non-controlling interests	**(P314)**	**P54**	P242	P12
Dividends paid to non-controlling interests	**P9,421**	**P -**	P8,262	P -

The following are the financial information of SMB and GSMI:

	December 31, 2023		December 31, 2022	
	SMB	**GSMI**	SMB	GSMI
Current assets	**P53,110**	**P20,359**	P41,077	P14,566
Noncurrent assets	**117,421**	**7,409**	115,349	7,047
Current liabilities	**(36,065)**	**(8,456)**	(20,889)	(6,459)
Noncurrent liabilities	**(31,857)**	**(912)**	(38,755)	(712)
Net assets	**P102,609**	**P18,400**	P96,782	P14,442
Sales	**P147,347**	**P53,639**	P136,235	P47,341
Net income	**P25,322**	**P7,046**	P21,750	P4,547
Other comprehensive income (loss)	**(641)**	**(224)**	426	(49)
Total comprehensive income	**P24,681**	**P6,822**	P22,176	P4,498
Cash flows provided by operating activities	**P32,482**	**P6,840**	P29,641	P7,375
Cash flows used in investing activities	**(8,337)**	**(463)**	(16,596)	(2,499)
Cash flows used in financing activities	**(14,149)**	**(1,984)**	(11,910)	(1,772)
Effect of exchange rate changes on cash and cash equivalents	**(71)**	**31**	870	(26)
Net increase (decrease) in cash and cash equivalents	**P9,925**	**P4,424**	P2,005	P3,078

6. Segment Information

Operating Segments
The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed by SMFB separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three reportable segments, namely: Food, Beer and Non-alcoholic Beverage (NAB) and Spirits. Management identified and grouped the operating units in its operating segments with the objective of transforming the Group into a more rationalized and focused organization. The structure aims to boost efficiencies across the Group and raise effectiveness in defining and meeting the needs of consumers in innovative ways.

The Food segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds ("Animal Nutrition and Health"); (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations ("Others").

The Beer and NAB segment is engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets.

The Spirits segment is engaged in the production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other hard liquor variants which are available nationwide, while some are exported to select countries.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade payables and other current liabilities, and other noncurrent liabilities, excluding interest and dividends payable. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions
Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

Major Customer
The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Financial information about reportable segments follows:

		2023					
	Note	**Food***	**Beer and NAB**	**Spirits**	**Total Reportable Segments**	**Eliminations**	**Consolidated**
Sales							
External		**P178,845**	**P147,341**	**P53,636**	**P379,822**	**P -**	**P379,822**
Inter-segment		**2**	**6**	**3**	**11**	**(11)**	**-**
Total sales		**P178,847**	**P147,347**	**P53,639**	**P379,833**	**(P11)**	**P379,822**
Segment operating result		**P10,168**	**P31,408**	**P6,835**	**P48,411**	**P -**	**P48,411**
Interest expense and other financing charges							**(4,752)**
Interest income							**3,067**
Gain on sale of investments and property and equipment							**(2)**
Other charges - net							**3,154**
Income tax expense							**(11,773)**
Net income							**P38,105**
Attributable to:							
Equity holders of the Parent Company							**P23,118**
Non-controlling interests							**14,987**
Net income							**P38,105**
Other Information							
Segments assets		**P149,178**	**P118,036**	**P25,498**	**P292,712**	**(P126)**	**P292,586**
Investments		**49**	**15,580**	**1,500**	**17,129**	**(1)**	**17,128**
Right-of-use assets - net							**4,633**
Goodwill, trademarks and brand names							**38,084**
Other assets							**135**
Deferred tax assets							**3,209**
Consolidated total assets							**P355,775**
Segment liabilities		**P47,789**	**P19,806**	**P6,554**	**P74,149**	**(P126)**	**P74,023**
Loans payable							**14,684**
Long-term debt							**82,810**
Lease liabilities							**5,176**
Income and other taxes payable							**9,668**
Dividends and interest payable							**273**
Deferred tax liabilities							**26**
Consolidated total liabilities							**P186,660**
Capital expenditures	*13*	**P11,192**	**P3,590**	**P1,454**	**P16,236**	**P -**	**P16,236**
Depreciation of property, plant and equipment	*13, 25*	**3,472**	**1,875**	**615**	**5,962**	**-**	**5,962**
Non-cash items and others (excluding depreciation of property, plant and equipment)		**4,518**	**5,482**	**11**	**10,011**	**-**	**10,011**

** Includes operating expenses of the Parent Company*

	Note	2022 Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
Sales							
External		P175,287	P136,230	P47,336	P358,853	P -	P358,853
Inter-segment		1	5	5	11	(11)	-
Total sales		P175,288	P136,235	P47,341	P358,864	(P11)	P358,853
Segment operating result		P13,206	P29,516	P5,987	P48,709	P2	P48,711
Interest expense and other financing charges							(3,538)
Interest income							821
Gain on sale of investments and property and equipment							(2)
Other charges - net							(223)
Income tax expense							(11,104)
Net income							P34,665
Attributable to:							
Equity holders of the Parent Company							P22,263
Non-controlling interests							12,402
Net income							P34,665
Other Information							
Segments assets		P153,000	P104,206	P19,348	P276,554	(P74)	P276,480
Investments		26	15,617	1,500	17,143	-	17,143
Right-of-use assets - net							5,171
Goodwill, trademarks and brand names							38,101
Other assets							73
Deferred tax assets							2,510
Consolidated total assets							P339,478
Segment liabilities		P44,770	P18,886	P6,162	P69,818	(P71)	P69,747
Loans payable							21,055
Long-term debt							78,239
Lease liabilities							5,473
Income and other taxes payable							5,474
Dividends and interest payable							394
Deferred tax liabilities							23
Consolidated total liabilities							P180,405
Capital expenditures	*13*	P16,629	P1,959	P990	P19,578	P -	P19,578
Depreciation of property, plant and equipment	*13, 25*	2,895	1,834	565	5,294	-	5,294
Non-cash items and others (excluding depreciation of property, plant and equipment)		3,839	5,148	72	9,059	-	9,059

** Includes operating expenses of the Parent Company*

	Note	2021 Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
Sales							
External		P150,969	P116,280	P42,529	P309,778	P -	P309,778
Inter-segment		1	6	5	12	(12)	-
Total sales		P150,970	P116,286	P42,534	P309,790	(P12)	P309,778
Segment operating result		P11,485	P26,916	P5,293	P43,694	P1	P43,695
Interest expense and other financing charges							(3,360)
Interest income							468
Gain on sale of investments and property and equipment							196
Other charges - net							(197)
Income tax expense							(9,385)
Net income							P31,417
Attributable to:							
Equity holders of the Parent Company							P19,791
Non-controlling interests							11,626
Net income							P31,417
Other Information							
Segments assets		P126,503	P103,528	P17,593	P247,624	(P62)	P247,562
Investments		20	5,137	-	5,157	-	5,157
Right-of-use assets - net							4,747
Goodwill, trademarks and brand names							38,007
Other assets							14
Deferred tax assets							2,137
Consolidated total assets							P297,624
Segment liabilities		P40,004	P17,107	P5,756	P62,867	(P59)	P62,808
Loans payable							5,191
Long-term debt							73,405
Lease liabilities							4,834
Income and other taxes payable							5,605
Dividends and interest payable							293
Deferred tax liabilities							26
Consolidated total liabilities							P152,162
Capital expenditures	*13*	P7,600	P2,681	P593	P10,874	P -	P10,874
Depreciation of property, plant and equipment	*13, 25*	2,703	1,780	578	5,061	-	5,061
Non-cash items and others (excluding depreciation of property, plant and equipment)		3,398	3,686	119	7,203	-	7,203

** Includes operating expenses of the Parent Company*

Disaggregation of Revenue:

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments:

	Food			**Beer and NAB**			**Spirits**			**Consolidated**		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Timing of Revenue Recognition												
Sales recognized at point in time	**P178,824**	P175,262	P150,947	**P147,341**	P136,230	P116,280	**P53,636**	P47,336	P42,529	**P379,801**	P358,828	P309,756
Sales recognized over time	**21**	25	22	**-**	-	-	**-**	-	-	**21**	25	22
Total External Sales	**P178,845**	P175,287	P150,969	**P147,341**	P136,230	P116,280	**P53,636**	P47,336	P42,529	**P379,822**	P358,853	P309,778

7. Cash and Cash Equivalents

This account consists of:

	Note	**2023**	2022
Cash in banks and on hand		**P14,781**	P11,981
Short-term investments		**42,226**	29,118
	4, 33, 34	**P57,007**	P41,099

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 27).

8. Trade and Other Receivables

This account consists of:

	Note	**2023**	2022
Trade		**P23,078**	P19,602
Non-trade		**1,592**	1,688
Amounts owed by related parties	*30*	**2,384**	2,013
		27,054	23,303
Less allowance for impairment losses	*4*	**1,185**	1,193
	4, 33, 34	**P25,869**	P22,110

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade receivables include advances to contract growers and breeders, receivables from truckers and toll partners, insurance and freight claims, receivables from employees, interest and others.

The movements in the allowance for impairment losses are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P1,193**	P1,385
Charges for the year - net		**113**	(100)
Amounts written off	*4*	**(121)**	(95)
Translation adjustments		**-**	3
Balance at end of year		**P1,185**	P1,193

9. Inventories

This account consists of:

	Note	**2023**	2022
At net realizable value:			
Finished goods and goods in process		**P15,659**	P15,601
Materials and supplies		**27,437**	45,145
	4	**P43,096**	P60,746

The cost of inventories as at December 31 are as follows:

	2023	2022
Finished goods and goods in process	**P15,880**	P15,814
Materials and supplies	**27,758**	45,392
	P43,638	P61,206

The write-down of inventories amounted to P200, P126 and P966 in 2023, 2022 and 2021, respectively (Notes 4, 23 and 24). The Group has written off inventories amounting to P97, P198 and P255 in 2023, 2022 and 2021, respectively.

The allowance for write-down of inventories to net realizable value amounted to P542 and P460 as at December 31, 2023 and 2022, respectively.

The cost of inventories used recognized under "Cost of sales" account in consolidated statements of income amounted to P158,027, P150,282 and P124,729 in 2023, 2022 and 2021, respectively (Note 23).

The fair value of agricultural produce less costs to sell, which formed part of the cost of the finished goods inventory, amounted to P115 and P127 as at December 31, 2023 and 2022, respectively, with corresponding costs at point of harvest amounting to P107 and P110, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P8, P17 and P26 in 2023, 2022 and 2021, respectively (Note 22).

The fair values of marketable hogs and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

10. Biological Assets

This account consists of:

	Note	**2023**	2022
Current:			
Growing stocks		**P2,608**	P2,418
Goods in process		**907**	1,000
		3,515	3,418
Noncurrent:			
Breeding stocks - net		**2,667**	2,671
	4	**P6,182**	P6,089

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P4,054, P3,303 and P2,896 in 2023, 2022 and 2021 respectively (Note 25).

The movements in biological assets are as follows:

	Note	2023	2022
Cost			
Balance at beginning of year		**P6,116**	P5,901
Increase (decrease) due to:			
Production		**62,668**	54,657
Purchases		**607**	841
Mortality		**(320)**	(363)
Harvest		**(58,792)**	(51,084)
Retirement		**(4,069)**	(3,836)
Balance at end of year		**6,210**	6,116
Accumulated Amortization			
Balance at beginning of year		**27**	551
Amortization	*25*	**4,054**	3,303
Retirement		**(4,053)**	(3,827)
Balance at end of year		**28**	27
Carrying Amount		**P6,182**	P6,089

The Group harvested approximately 540.4 million and 560.4 million kilograms of grown broilers in 2023 and 2022, respectively, and 0.04 million and 0.12 million heads of marketable hogs and cattle in 2023 and 2022, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P50,973 and P67,232 in 2023 and 2022, respectively.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	2023	2022
Prepaid income tax	*36*	**P2,751**	P1,412
Input tax		**1,913**	2,489
Prepaid expenses	*30*	**921**	803
Advances to contractors and suppliers		**108**	151
Derivative assets	*33, 34*	**50**	100
Others	*30*	**473**	457
		P6,216	P5,412

Prepaid expenses include prepaid rent, insurance, promotional expenses and various operating expenses.

“Others” include advance payments and deposits.

“Prepaid expenses” and “Others” accounts include amounts owed by related parties amounting to P281 and P240 as at December 31, 2023 and 2022, respectively (Note 30). The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 34.

12. Investments

This account consists of:

	Note	**2023**	2022
Financial assets at amortized cost	*33, 34*	**P11,500**	P11,500
Financial assets at FVOCI	*33, 34*	**5,628**	5,643
Investments in joint ventures - net		**-**	-
	4	**P17,128**	P17,143

Investments in Joint Ventures

a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which GSMI owns 44.9% effective ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

The details of the investment in TSML which is accounted for using the equity method are as follows:

	2023	2022
Current assets	**P332**	P604
Noncurrent assets	**683**	732
Current liabilities	**(1,320)**	(1,379)
Net liabilities	**(305)**	(43)
Percentage of ownership	**44.9%**	44.9%
Amount of investment in joint venture	**P -**	P -
Carrying amount of investment in joint venture - net	**P -**	P -

	2023	2022
Sales	**P3**	P397
Cost of sales	**(61)**	(563)
Operating expenses	**(171)**	(160)
Other charge	**(31)**	(35)
Net loss	**(260)**	(361)
Percentage of ownership	**44.9%**	44.9%
Share in net loss	**(117)**	(162)
Share in other comprehensive income (loss)	**-**	-
Total comprehensive loss	**(P117)**	(P162)

In 2019, the Group assessed that its investment in TSML is impaired. The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate 2% in 2023 and 2022, respectively. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections is 9% and also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The Group assessed the recoverable amount of TSML and the result of such assessment was that the carrying amount is higher than its recoverable amount resulting in impairment loss amounting to P244 as at 2023 and 2022.

The Group discontinued recognizing its share in the net losses of TSML since the cumulative losses already exceeded the cost of investment. If TSML reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net losses amounted to P412 and P296 as at December 31, 2023 and 2022, respectively.

The recoverable amount of investment in TSML has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 3).

b. TGT

GSMI, through GSMIHL, also has an existing 44.9% effective ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

The details of the investment in TGT which is accounted for using the equity method are as follows:

	2023	2022
Current assets	**P18**	P18
Current liabilities	**(989)**	(986)
Net liabilities	**(971)**	(968)
Percentage of ownership	**44.9%**	44.9%
Amount of investment in joint venture	**P -**	P -
Carrying amount of investment in joint venture - net	**P -**	P -

	2023	2022
Sales	**P0.1**	P12
Cost of sales	**(0.1)**	(10)
Operating expenses	**(0.2)**	(1)
Net loss	**(0.2)**	1
Percentage of ownership	**44.9%**	44.9%
Share in net loss	**-**	-
Share in other comprehensive loss	**-**	-
Total comprehensive loss	**P -**	P -

GSMI discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceeded the cost of investment. If TGT reports profits subsequently, GSMI resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net liabilities amounted to P371 and P435 as at December 31, 2023 and 2022, respectively.

Financial Assets at FVOCI

The Group's financial assets at FVOCI pertain to investments in shares of stock and other equity securities.

The Group's financial assets at FVOCI are as follows:

	Note	**2023**	2022
Redeemable perpetual securities		**P5,580**	P5,575
Other Equity Securities		**48**	68
	33, 34	**P5,628**	P5,643

On August 4, 2020, SMB, through San Miguel Brewing International Ltd. (SMBIL), signed a subscription agreement with SMC for the subscription of the latter's redeemable perpetual securities (RPS) with aggregate face value amount of $100 or P4,850. The RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. SMBIL will have the right to receive distribution at 2.5% per annum, payable quarterly in arrears every November 5, February 5, May 5 and August 5 of each year commencing on November 5, 2020. SMC has a right to defer this distribution under certain conditions. SMBIL received dividend income amounting to P139 and P136 for the years ended December 31, 2023 and 2022, respectively and are presented as part of "Other income - net" in the consolidated statements of income.

The methods and assumptions used to estimate the fair value of financial assets at FVOCI are discussed in Note 34.

Financial Assets at Amortized Cost

As of December 31, 2023, the Group has investment in debt instruments amounting to P11,500, with interest rates from 7.45% to 7.85%, and maturities up to 2029 (Note 33).

13. Property, Plant and Equipment

This account consists of:

	Note	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2022		P16,300	P34,680	P87,932	P4,179	P1,576	P26,170	P170,837
Additions		7	524	203	62	12	18,770	19,578
Disposals		(2)	(51)	(572)	(154)	(3)	-	(782)
Reclassifications		225	4,371	5,521	2,053	204	(11,559)	815
Currency translation adjustments		63	335	665	29	-	6	1,098
December 31, 2022		16,593	39,859	93,749	6,169	1,789	33,387	191,546
Acquisition of a subsidiary		1,202	-	-	-	-	-	1,202
Additions		2	353	468	254	22	15,137	16,236
Disposals		(6)	(144)	(769)	(239)	(14)	(6)	(1,178)
Reclassifications		880	3,740	8,022	1,067	355	(14,526)	(462)
Currency translation adjustments		5	(127)	(346)	(4)	-	-	(472)
December 31, 2023		**18,676**	**43,681**	**101,124**	**7,247**	**2,152**	**33,992**	**206,872**
Accumulated Depreciation								
January 1, 2022		1,550	11,177	49,513	3,161	420	-	65,821
Depreciation	*25*	221	1,030	3,447	508	88	-	5,294
Disposals		(2)	(23)	(565)	(151)	-	-	(741)
Reclassifications		(7)	(1)	(154)	8	4	-	(150)
Currency translation adjustments		2	175	363	23	-	-	563
December 31, 2022		1,764	12,358	52,604	3,549	512	-	70,787
Depreciation	*25*	218	1,189	3,775	678	102	-	5,962
Disposals		(6)	(101)	(672)	(232)	(14)	-	(1,025)
Reclassifications		(70)	(397)	27	29	(4)	-	(415)
Currency translation adjustments		1	(42)	(145)	(3)	-	-	(189)
December 31, 2023		**1,907**	**13,007**	**55,589**	**4,021**	**596**	**-**	**75,120**

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses							
January 1, 2022	P38	P3,392	P10,427	P73	P1	P -	P13,931
Disposals	-	(4)	(1)	(3)	-	-	(8)
Reclassifications	(38)	(1)	(29)	-	-	-	(68)
Currency translation adjustments	-	28	262	3	-	-	293
December 31, 2022	-	3,415	10,659	73	1	-	14,148
Disposals	-	(42)	(79)	(6)	-	-	(127)
Currency translation adjustments	-	(72)	(196)	(1)	-	-	(269)
December 31, 2023	**-**	**3,301**	**10,384**	**66**	**1**	**-**	**13,752**
Carrying Amount							
December 31, 2022	P14,829	P24,086	P30,486	P2,547	P1,276	P33,387	P106,611
December 31, 2023	**P16,769**	**P27,373**	**P35,151**	**P3,160**	**P1,555**	**P33,992**	**P118,000**

Depreciation recognized in the consolidated statements of income amounted to P5,962, P5,294 and P5,061 in 2023, 2022 and 2021, respectively (Note 25).

The Group has interest amounting to P1,155, P753 and P545 which were capitalized in 2023, 2022 and 2021, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 3.35% to 6.84%, 3.35% to 4.47% and 2.95% to 7.03% in 2023, 2022 and 2021, respectively. The unamortized capitalized borrowing costs amounted to P3,092 and P2,500 as at December 31, 2023 and 2022, respectively.

The accumulated impairment losses of unutilized machinery and equipment of GSMI amounted to P308 as at December 31, 2023 and 2022.

Certain fully depreciated property, plant and equipment with aggregate cost of P42,538 and P40,714 as at December 31, 2023 and 2022, respectively, are still being used in the Group's operations.

14. Right-of-Use Assets

The movements in this account are as follows:

	Note	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Total
Cost						
January 1, 2022		P3,999	P2,523	P33	P441	P6,996
Additions		1,019	232	-	17	1,268
Disposals/reclassifications		(27)	(192)	(2)	(19)	(240)
Currency translation adjustments		45	1	3	-	49
December 31, 2022		5,036	2,564	34	439	8,073
Additions		11	163	-	30	204
Disposals/reclassifications		70	(394)	-	(103)	(427)
Currency translation adjustments		(23)	3	2	1	(17)
December 31, 2023		**5,094**	**2,336**	**36**	**367**	**7,833**
Accumulated Depreciation						
January 1, 2022		969	789	6	408	2,172
Depreciation	*25*	281	445	4	32	762
Reclassifications		-	(120)	(2)	(14)	(136)
Currency translation adjustments		16	-	-	-	16
December 31, 2022		1,266	1,114	8	426	2,814
Depreciation	*25*	286	368	5	19	678
Reclassifications		24	(285)	-	(105)	(366)
Currency translation adjustments		(12)	(2)	-	-	(14)
December 31, 2023		**1,564**	**1,195**	**13**	**340**	**3,112**
Accumulated Impairment Losses						
January 1, 2022		77	-	-	-	77
Currency translation adjustments		11	-	-	-	11
December 31, 2022 and 2023		**88**	**-**	**-**	**-**	**88**
Carrying Amount						
December 31, 2022		P3,682	P1,450	P26	P13	P5,171
December 31, 2023		**P3,442**	**P1,141**	**P23**	**P27**	**P4,633**

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to fifty years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

The Group recognized interest expense related to these leases amounting to P381, P403 and P354 in 2023, 2022 and 2021, respectively (Note 27). The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases and leases of low-value assets amounted to P365, P368 and P502 in 2023, 2022 and 2021, respectively.

The Group had total cash outflows for leases of P1,476, P1,439 and P1,444 in 2023, 2022, and 2021 respectively (Note 32).

15. Investment Property

The movements in this account are as follows:

	Note	Land and Land Improvements	Land Use Rights	Buildings and Improvements	Total
Cost					
January 1, 2022		P2,581	P665	P829	P4,075
Additions		2	5	-	7
Reclassifications		221	-	(10)	211
Currency translation adjustments		-	62	69	131
December 31, 2022		2,804	732	888	4,424
Disposals		(3)	-	-	(3)
Reclassification		(58)	-	10	(48)
Currency translation adjustments		-	(6)	(7)	(13)
December 31, 2023		**2,743**	**726**	**891**	**4,360**
Accumulated Depreciation					
January 1, 2022		-	267	415	682
Depreciation	*25*	-	17	21	38
Reclassification		-	-	(5)	(5)
Currency translation adjustments		-	25	38	63
December 31, 2022		-	309	469	778
Depreciation	*25*	-	17	21	38
Reclassification		-	-	5	5
Currency translation adjustments		-	(3)	(3)	(6)
December 31, 2023		**-**	**323**	**492**	**815**
Accumulated Impairment Losses					
December 31, 2022 and 2023		8	-	-	8
Carrying Amount					
December 31, 2022		P2,796	P423	P419	P3,638
December 31, 2023		**P2,735**	**P403**	**P399**	**P3,537**

No impairment loss was recognized in 2023, 2022 and 2021.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2023, 2022 and 2021.

The fair value of investment property amounting to P13,324 and P12,825 as at December 31, 2023 and 2022, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined either by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers or the credit management group of the Parent Company provide the fair value of the Group's investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs
The valuation of investment property applied the following approaches:

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

The valuation using the Income Approach considers the capitalization of net rent income receivable from existing tenancies and the reversionary value of the property after tenancies expire by reference to market sales transactions. The significant unobservable input in the fair value measurement is the discount rate, which ranged from 2% to 4% and 2% to 4% in 2023 and 2022, respectively.

16. Goodwill and Other Intangible Assets

This account consists of:

	2023	2022
Goodwill	**P996**	P996
Other intangible assets	**39,444**	39,365
	P40,440	P40,361

Other intangible assets consist of:

	2023	2022
Trademarks and brand names	**P37,030**	P37,047
Licenses	**2,133**	2,126
Computer software and licenses	**216**	127
Formulas and recipes	**58**	58
Franchise	**7**	7
	P39,444	P39,365

The movements in other intangible assets with indefinite useful lives are as follows:

	Trademarks and Brand Names	Licenses	Formulas and Recipes and Franchise	Total
Cost				
January 1, 2022	P37,573	P2,011	P65	P39,649
Reclassification	(446)	-	-	(446)
Cumulative translation adjustments	174	115	-	289
December 31, 2022	37,301	2,126	65	39,492
Cumulative translation adjustments	(19)	7	-	(12)
December 31, 2023	**37,282**	**2,133**	**65**	**39,480**
Accumulated Impairment Losses				
January 1, 2022	620	-	-	620
Reclassification	(386)	-	-	(386)
Cumulative translation adjustments	20	-	-	20
December 31, 2022	254	-	-	254
Cumulative translation adjustments	(2)	-	-	(2)
December 31, 2023	**252**	**-**	**-**	**252**
Carrying Amount				
December 31, 2022	P37,047	P2,126	P65	P39,238
December 31, 2023	**P37,030**	**P2,133**	**P65**	**P39,228**

The movements in other intangible assets with finite useful lives are as follows:

	Note	Computer Software and Licenses
Cost		
January 1, 2022		P1,364
Additions		22
Disposals/reclassifications		(48)
Cumulative translation adjustments		8
December 31, 2022		1,346
Additions		111
Disposals/reclassifications		29
Cumulative translation adjustments		(1)
December 31, 2023		**1,485**
Accumulated Amortization		
January 1, 2022		1,228
Amortization	*25*	46
Disposals/reclassifications		(68)
Cumulative translation adjustments		8
December 31, 2022		1,214
Amortization	*25*	52
Disposals/reclassifications		(1)
Cumulative translation adjustments		(1)
December 31, 2023		**1,264**
Accumulated Impairment Losses		
December 31, 2022 and 2023		5
Carrying Amount		
December 31, 2022		P127
December 31, 2023		**P216**

Goodwill, licenses, trademarks and brand names, formulas and recipes, and franchise with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2023		2022	
	Goodwill	**Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise**	Goodwill	Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise
Food	**P177**	**P3,352**	P177	P3,356
Spirits	**819**	**-**	819	-
Beer and NAB	**-**	**35,876**	-	35,882
Total	**P996**	**P39,228**	P996	P39,238

Goodwill
The recoverable amount of goodwill has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from 3% to 5% in 2023 and 2022 are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 8% to 11% in 2023 and 8% to 11% in 2022. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

No impairment loss was recognized for goodwill in 2023, 2022 and 2021.

Trademarks and Brand Names
The recoverable amount of trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 5% in 2023 and 2022, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections range from 7% to 12% and 6.5% to 12% in 2023 and 2022, respectively. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Management's calculations are updated to reflect the most recent developments as at reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. Management also considered the expected improvement of the economy in 2023, the lifting of liquor bans, consumer spending and expected increase in revenues through its promotional strategies.

The operation of La Pacita biscuits was decided to completely cease in October 2021 and the Company has recognized impairment on its acquired trademarks amounting to P386, reducing its brand value. In 2022, net amount of P60 of La Pacita trademarks were reclassified to Assets held for sale, which was eventually disposed in March 10, 2023.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts is based would not cause their carrying amounts to exceed their recoverable amounts.

The calculations of value in use (terminal value) are most sensitive to the following assumptions:

Gross Margins. Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

Discount Rate. The risk-adjusted weighted average cost of capital is used as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Raw Material Price Inflation. Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

17. Other Noncurrent Assets

This account consists of:

	Note	**2023**	2022
Deferred containers - net	*4*	**P24,910**	P24,462
Deposits on land for future development		**2,442**	1,029
Idle Assets - net		**1,327**	832
Noncurrent receivables and deposits - net	*4, 30, 33, 34*	**183**	156
Others	*29, 30*	**1,410**	1,937
		P30,272	P28,416

The movements in the deferred containers are as follows:

	Note	2023	2022
Gross Carrying Amount			
Balance at beginning of year		**P46,063**	P44,221
Additions		**6,948**	3,932
Disposals/reclassifications		**(2,259)**	(2,081)
Currency translation adjustments		**34**	(9)
Balance at end of year		**50,786**	46,063
Accumulated Depreciation			
Balance at beginning of year		**20,510**	17,667
Depreciation	*25*	**5,039**	4,076
Disposals/reclassifications		**(596)**	(1,237)
Currency translation adjustments		**(5)**	4
Balance at end of year		**24,948**	20,510
Accumulated Impairment			
Balance at beginning of year		**1,091**	737
Impairment		**487**	1,187
Disposals/reclassification		**(650)**	(833)
		928	1,091
		P24,910	P24,462

"Others" include pallets, kegs and CO2 cylinders, defined benefit retirement asset and other noncurrent assets.

"Noncurrent receivables and deposits" and "Others" accounts include amounts owed by related parties amounting to P317 and P227 as at December 31, 2023 and 2022, respectively (Note 30).

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits are discussed in Note 34.

18. Loans Payable

This account consists of peso-denominated short-term borrowings amounted to P14,684 and P21,055 as at December 31, 2023 and 2022, respectively (Notes 33 and 34)

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates for peso-denominated loans ranged from 4.75% to 6.85% and 3.50% to 7.75% in 2023 and 2022, respectively (Note 27).

Changes in liabilities arising from financing activities are as follows:

	2023	2022
Balance as at January 1	**P21,055**	P5,191
Changes from Financing Activities		
Proceeds from borrowings	**227,369**	100,543
Payments of borrowings	**(233,740)**	(84,679)
Total Changes from Financing Activities	**(6,371)**	15,864
Balance as at December 31	**P14,684**	P21,055

19. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2023	2022
Trade		**P11,887**	P14,273
Non-trade		**27,912**	24,636
Amounts owed to related parties	*30*	**17,032**	15,426
Derivative liabilities	*33, 34*	**80**	204
Containers deposit		**6,730**	6,390
Others		**1,647**	1,607
	33, 34	**P65,288**	P62,536

Trade payables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade payables include accruals for various selling and administrative expenses.

“Others” include accruals for payroll, interest, repairs and maintenance, freight, trucking and handling and other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 34.

20. Long-term Debt

This account consists of:

	Note	**2023**	2022
Bonds:			
Series H bonds, fixed interest rate of 6.00% maturing in 2024 *(a)*		**P2,538**	P2,534
Series A bonds, fixed interest rates of 5.05% maturing 2025 *(b)*		**7,973**	7,951
Series B bonds, fixed interest rates of 5.25% maturing 2027 *(b)*		**6,954**	6,941
Term note:			
Fixed interest rate of 3.80% to 6.84% with maturities up to 2027 (*c*)		**38,789**	33,795
Fixed interest rate of 4.2105% with maturities up to 2023 (*d*)		**-**	165
Fixed interest rate of 3.5483% maturing in 2029 (*e*)		**9,804**	9,945
Floating interest rate based on 3-month BVAL plus margin or 28-day BSP Term Deposit Auction Facility (BSP TDF) plus margin, whichever is higher, maturing in 2029 (*e*)		**7,842**	7,956
Fixed interest rate of 3.2840% with maturities up to 2026 (*f*)		**1,940**	1,992
Fixed interest rate of 3.846% (*g*)		**6,970**	6,960
	33, 34	**82,810**	78,239
Less current maturities		**12,871**	506
		P69,939	P77,733

Bonds

(a) The amount represents unsecured long-term debt incurred by SMB: (a) to support the redemption of the Series A bonds which matured on April 3, 2012; (b) to support the partial prepayment of the US$300 unsecured loan facility agreement (which was paid in full in 2013); and (c) to support the redemption of the Series B bonds which matured on April 4, 2014.

SMB's Philippine peso-denominated fixed rate bonds are comprised of the (a) Series F bonds in the aggregate principal amount of P7,000 which were part of SMB's P20,000 bonds (P20,000 Bonds) that were issued on April 4, 2012 (P20,000 Bonds Issue Date) and which matured on April 2, 2022; and (b) Series H bonds in the aggregate principal amount of P2,538 which remained outstanding of the P15,000 (P15,000 Bonds) which were issued on April 2, 2014 (P15,000 Bonds Issue Date).

The Series F bonds (with a term of ten years from the P20,000 Bonds Issue Date) were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 16, 2012, and were listed on the PDEx for trading on April 2, 2012. The Series F bonds matured on April 2, 2022 and were accordingly redeemed by SMB on the said date. SMB used the proceeds of the term loan drawn on April 1, 2022 to finance the maturity of the Series F bonds.

The P15,000 Bonds originally consisted of the Series G bonds (with a term of seven years from the P15,000 Bonds Issue Date) and Series H bonds (with a term of ten years from the P15,000 Bonds Issue Date were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 17, 2014 and were listed on the PDEx for trading on April 2, 2014. The Series G bonds with an aggregate principal amount of P12,462 matured on April 5, 2021 and were accordingly redeemed by SMB on the said date using proceeds from term loans and available. Only the Series H bonds remain outstanding of the P15,000 Bonds. Unamortized debt issue costs related to the Series H bonds amounted to P4 as of December 31, 2022.

Interest on the Series F bonds were paid semi-annually every April 2 and October 2 of each year. Interest on the P15,000 Bonds are paid every April 2 and October 2 of each year (each, a P15,000 Bonds Interest Payment Date). SMB may also (but shall likewise not be obligated to) redeem all (and not a part only) of the outstanding P15,000 Bonds on the 11th P15,000 Bonds Interest Payment Date for the Series G bonds, and on the 14th, 16th or 18th P15,000 Bonds Interest Payment Dates for the Series H bonds. The Series H bonds will mature on April 2, 2024.

Under the trust agreement for the Series H bonds, SMB is required to comply with two financial covenants: minimum interest coverage ratio of 4.75 and maximum debt to equity ratio of 3.5, as well as non-financial covenants, such as among others, covenants relating to continued compliance with applicable laws; restrictions on engaging in businesses other than those prescribed under its articles of incorporation, merger and consolidation, disposal of all or substantially all of its assets, payment of dividends and redemption of capital stock in the event of default; maintenance of equality in priority of obligations; and negative pledge. As of December 31, 2023 and 2022, SMB was in compliance with its covenants for the Series H bonds.

(b) On February 21, 2020, the SEC issued to SMFB the Permit to Sell P15,000 fixed rate bonds, consisting of five-year Series A Bonds due 2025 and seven-year Series B Bonds due on 2027.

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

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

The Series A Bonds and Series B Bonds have fixed interest rate equivalent to 5.050% per annum and 5.250% per annum, respectively and are carried at amortized cost. Unamortized debt issue costs as of December 31, 2023 and 2022 amounted to P27 and P46, and P49 and P70 for Series A and Series B, respectively.

Term Note

(c) On December 19, 2022, SMB entered into an agreement for an unsecured, long-term, interest-bearing loan with a local bank amounting to P10,000 to finance its capital expenditures. On December 20, 2022, SMB availed of P5,000 from the P10,000 loan facility. The loan is carried at amortized cost and bears annual interest rate at Philippine peso fixed-rate of 6.84% for two years, subject to repricing thereafter. The loan is payable in five years and will mature in December 2027. On February 21, 2023, the Company availed of P5,000 from the P10,000 loan facility. The loan is carried at amortized cost and bears annual interest rate at Philippine peso fixed-rate of 6.53% for two years, subject to repricing thereafter. The loan is payable in four years and ten months and will mature in December 2027.

On March 21, 2022, SMB entered into an agreement for an unsecured, long-term, interest-bearing loan with a local bank amounting to P4,000 and P3,000 to be used to refinance the maturity of the Series F bonds which matured on April 2, 2022. The loans are carried at amortized cost and bears annual interest rates at Philippine peso fixed rate of 4.63% and 5.75%. The loans are payable in three years and five years, respectively.

On March 25, 2021, SMB entered into an agreement for unsecured, long-term, interest-bearing loans with several local banks amounting to P12,000 to be used to refinance the maturity of the Series G bonds which matured on April 5, 2021 and/or general corporate purposes. The loans are carried at amortized cost and bears annual interest rates at Philippine peso fixed-rate ranging from 3.80% to 4.15%. The loans are payable between five to seven years in accordance with the terms of the loan agreements.

On December 19, 2019, SMB entered into an agreement for an unsecured, long-term, interest-bearing loan with a local bank amounting to P10,000 to be used for general corporate purposes. The loan is carried at amortized cost and bears annual interest rate at Philippine peso fixed-rate of 4.63%. The loan is payable in five years and will mature in December 2024.

As at December 31, 2023 and 2022, the outstanding balance of the term loan amounted to P38,943 and P33,968, respectively. As at December 31, 2023 and 2022, the unamortized debt issue costs amounted to P154 and P174, respectively.

(d) The amount represents drawdown by GSMI on December 28, 2020 from its three-year credit facility with a local bank amounting to P500. The loan is carried at amortized cost and payable semi-annually commencing in June 2021. The proceeds were used for general corporate requirements. On December 28, 2023, the loan was fully paid.

Unamortized debt issue costs amounted to P1 as at December 31, 2022.

(e) On December 3, 2019, SMFI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P18,000 for the purpose of refinancing its existing short-term loan obligations, funding capital expansion projects and for other general corporate requirements. On December 12, 2019, P10,000 was initially drawn down from the credit facility and the remaining balance of P8,000 were availed in various dates during 2020. The loan is payable for ten years, in quarterly installments which will commence in March 2023. The loan is initially subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to fixed rate within two years.

    On December 14, 2020, SMFI exercised its one-time option to convert its P10,000 loan to fixed interest rate.

    Unamortized debt issue costs amounted to P86 and P97 as at December 31, 2023 and 2022, respectively.

(f) On December 11, 2019, SMMI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P2,000 for the purpose of refinancing its existing short-term loans and used for general corporate requirements. On December 19, 2019, the loan was drawn down from the credit facility. The loan is carried at amortized cost, is initially priced on a floating rate basis, and bears an annual interest rate at Philippine peso rate of 4.72%. The loan is payable for seven years, in quarterly installments which will commence in March 2023. The loan is subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to a fixed interest rate within two years which is based on the applicable 7-Year PHP BVAL + 0.60%, payable quarterly and fixed for the entire term of the loan.

    On December 19, 2020, the SMMI exercised its one-time option to convert to fixed interest rate for its P2,000 loan.

    Unamortized debt issue costs amounted to P6 and P9 as at December 31, 2023 and 2022, respectively.

(g) On September 24, 2021, PF-Hormel entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P7,000 for general corporate purposes, including but not limited to, the refinancing of existing indebtedness for borrowed money and/or capital expenditure. On September 29, 2021, the total amount of loan was withdrawn from credit facility. The loan shall be for a term of five years from the borrowing date and shall be payable in lump sum on the maturity date. Interest on the unpaid principal of the loan is payable on each interest payment date for the relevant interest period then ending.

    Unamortized debt issue costs amount to P30 and P40 as of December 31, 2023 and 2022, respectively.

The Group is in compliance with the covenants of the debt agreements as at December 31, 2023 and 2022.

SMB

SMB is required to comply with two financial covenants: minimum interest coverage ratio of 4.75 for loans secured in 2019 and 2.0 for loans secured in 2021, 2022 and 2023, and maximum debt to equity ratio of 3.5 for all loans secured, as well as non-financial covenants, such as among others, covenants relating to continued compliance with applicable laws; restrictions on engaging in businesses other than those prescribed under its articles of incorporation, merger and consolidation, disposal of all or substantially all of material operating assets, payment of dividends, management bonuses and profits in the event of default; maintenance of equality in priority of obligations; and negative pledge.

GSMI

GSMI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as all obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. GSMI complied with the above requirements in 2022 with a debt-to-equity ratio of 0.011 as at December 31, 2022, and EBITDA to interest coverage ratio of 539.14 as at December 31, 2022.

SMFB

SMFB has to ensure that its debt-to-equity ratio will not exceed 3.5 times and EBITDA to interest expense ratio will not fall below 2.0 times. This loan defined total debt as all interest-bearing obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. SMFB complied with the above requirements in 2023 and 2022 with a debt-to-equity ratio of 0.61 and 0.53 as at December 31, 2023, and 2022, respectively, and EBITDA to interest expense ratio of 14.06 and 17.73 as at December 31, 2023 and 2021, respectively.

SMFI

SMFI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and EBITDA to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of SMFI while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. SMFI complied with the above requirements with a debt-to-equity ratio of 0.77 and 0.83 as at December 31, 2023 and 2022, respectively, and EBITDA to interest coverage ratio of 22.54 and 65.54 as at December 31, 2023 and 2022, respectively.

SMMI

SMMI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and EBITDA to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of SMMI while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. SMMI complied with the above requirements with a debt-to-equity ratio of 0.88 and 1.28 as at December 31, 2023 and 2022, respectively, and EBITDA to interest coverage ratio of 5.90 and 5.42 as at December 31, 2023 and 2022, respectively.

PF-Hormel
PF-Hormel has to ensure that its debt-to-equity ratio will not exceed 3.5 times and EBITDA to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of PF-Hormel while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. PF-Hormel complied with the above requirements with a debt-to-equity ratio of 0.83 and 1.28 as at December 31, 2023 and 2022 and EBITDA to interest coverage ratio of 8.47 and 14.64 as at December 31, 2023 and 2022, respectively.

Interest expense recognized in the consolidated statements of income follows:

	Note	**2023**	2022	2021
Bonds		**P924**	P1,040	P1,786
Term note		**2,437**	1,519	867
	27	**P3,361**	P2,559	P2,653

The movements in debt issue costs are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P434**	P451
Additions		**38**	90
Amortization	*27*	**(122)**	(107)
Balance at end of year		**P350**	P434

Changes in liabilities arising from financing activities are as follows:

	2023	2022
Balance as at January 1	**P78,239**	P73,405
Changes from Financing Activities		
Proceeds from borrowings	**4,963**	11,910
Payments of borrowings	**(514)**	(7,183)
Total Changes from Financing Activities	**4,449**	4,727
Others	**122**	107
Balance as at December 31	**P82,810**	P78,239

Repayment Schedule
The annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2024	P12,881	P10	P12,871
2025	12,342	111	12,231
2026	19,128	56	19,072
2027	20,428	85	20,343
2028 and thereafter	18,381	88	18,293
	P83,160	**P350**	**P82,810**

Contractual terms of the Group’s interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 33.

21. Equity

Capital Stock

As at December 31, 2023 and 2022, the Parent Company's common stock, at P1.00 par value per common share, consists of the following number of shares:

	2023	2022	2021
Issued shares at beginning of year	**5,951,297,670**	5,951,297,670	5,951,297,670
Treasury shares	**(42,077,580)**	(42,077,580)	(42,077,580)
Issued and outstanding at end of year	**5,909,220,090**	5,909,220,090	5,909,220,090
Authorized shares	**11,600,000,000**	11,600,000,000	11,600,000,000

As at December 31, 2023 and 2022, the Parent Company's preferred stock, at P10.00 par value per preferred share, consists of the following number of shares:

	2023	2022	2021
Issued shares at beginning of year	**30,000,000**	30,000,000	30,000,000
Treasury shares	**(30,000,000)**	(30,000,000)	(30,000,000)
Issued and outstanding at end of year	**-**	-	-
Authorized shares	**40,000,000**	40,000,000	40,000,000

Common Shares

As of December 31, 2016, prior to business reorganization, the Parent Company has a total of 166,667,096 issued and outstanding common shares held by a total of 132 common stockholders.

On November 3, 2017, the BOD of SMC approved the internal restructuring to consolidate its food and beverage businesses under SMFB. The corporate reorganization is expected to result in synergies in the food and beverage business units of the San Miguel Group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel Group through SMFB.

In this connection, the following corporate actions were approved by the BOD of the Parent Company on November 3, 2017: (a) amendments to the Articles of Incorporation to change/expand the primary purpose of SMFB to include the beverage business and accordingly change its corporate name from “San Miguel Pure Foods Company Inc.” to "San Miguel Food and Beverage, Inc.", reduce the par value of SMFB’s common shares from P10.00 per share to P1.00 per share, and deny pre-emptive rights for issuances or dispositions of all common shares (collectively, the “First Amendments”); (b) upon approval by the SEC of the First Amendments, the increase in SMFB’s authorized capital stock by P9,540 divided into 9,540,000,000 common shares with a par value of P1.00 per share, and the amendment to the Articles of Incorporation to reflect such increase (the “Increase”); (c) the acquisition of all of SMC’s common shares in San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI) (collectively, the “Exchange Shares”) and issuance by SMFB of 4,242,549,130 new common shares (the “New Shares”) to SMC from the Increase, as consideration for the Exchange Shares; (d) the tender offer for SMB and GSMI shares held by minority shareholders, if required; and € the listing on the PSE of the additional shares resulting from the reduction of par value of common shares and the New Shares to be issued to SMC.

On January 18, 2018, the stockholders of SMFB, in its special stockholders’ meeting, approved the foregoing corporate actions.

On March 14, 2018, the following amendments to the By-laws of SMFB were approved by the BOD of the Parent Company: (i) the change in corporate name to “San Miguel Food and Beverage, Inc.” in the Title of the By-laws; (ii) the change in Official Seal of SMFB to reflect the said new corporate name in Article XI of the By-laws; and (iii) the disqualification for director in SMFB to the effect that persons engaged in any business that competes with or is antagonistic to that of SMFB are disqualified from sitting in the BOD of SMFB, in Article II, Section 1 of the By-laws (collectively, the “Corporate Name Related Amendments”).

On March 23, 2018, the SEC approved the First Amendments to the Articles of Incorporation of SMFB.

On April 5, 2018, SMC and SMFB signed the Deed of Exchange of Shares pursuant to which SMC will transfer to SMFB the Exchange Shares at the total transfer value of P336,349. As consideration for its acquisition of the Exchange Shares, SMFB shall issue unto SMC the New Shares which will be taken out of the Increase. As such, the issuance of the New Shares to SMC and the transfer of the Exchange Shares to SMFB were conditioned upon the approval by the SEC of the Increase.

On May 11, 2018, the stockholders of SMFB, in its regular stockholders’ meeting, approved the: (i) amendments to the By-laws of SMFB to reflect the Corporate Name Related Amendments, and (ii) delegation to management of the authority previously approved by the BOD on March 14, 2018, to sign, execute and deliver all documents on behalf of SMFB, as well as to take all other actions in order for SMFB to comply with the minimum public ownership requirement of the SEC and PSE for publicly listed companies, including the offer and issuance of new common shares to the public.

On June 18, 2018, the SEC approved the Corporate Name Related Amendments to the By-laws of SMFB.

On June 29, 2018, the SEC approved the Increase by virtue of the issuance to SMFB of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation. As a result of the approval of the Increase, which involved the issuance by SMFB of the New Shares to SMC in consideration for the Exchange Shares, the consolidation of the food and beverage businesses of SMC under SMFB was completed.

With the approval of the Increase, the SEC consequently accepted and approved the transfer value of the Exchange Shares amounting to P336,349, the investment value of SMFB in SMB and GSMI.

As the issuance of the New Shares resulted in SMFB's public ownership level falling below the minimum ten percent (10%) requirement under the PSE's Amended Rule on Minimum Public Ownership ("MPO Rule"), the PSE suspended the trading of SMFB's common and preferred shares (collectively, the "FB Shares") commencing July 6, 2018 and until SMFB is able to secure a favorable ruling/opinion from the Bureau of Internal Revenue (BIR) on the appropriate taxes to be imposed on the trades of FB Shares through the PSE during the period not exceeding six months (the "MPO Exemption Period").

On July 20, 2018, SMFB received BIR Ruling No. 1092-2018 which confirmed that the share swap and the follow-on offer of common shares and all trades of FB Shares through the PSE during the MPO Exemption Period are not subject to capital gains tax of 15% under of Revenue Regulations (RR) No.16-2012 as amended by RR No. 11-2018 (TRAIN Law), and that the stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) shall be imposed on all trades through the PSE of FB Shares during the same period. The temporary exemption is effective until December 31, 2018. On July 23, 2018, the PSE lifted the trading suspension of FB Shares.

On September 19, 2018, SMFB filed with the PSE an Application for Listing of Stocks, for the listing of the New Shares issued by SMFB to SMC. The PSE issued a Notice of Approval for the listing of the New Shares on November 5, 2018 and such shares were listed with the PSE effective November 9, 2018.

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

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

On November 12, 2018, the secondary offering was completed. A total of 400,940,590 SMFB common shares plus the over-allotment option of 60,141,090 SMFB common shares owned by SMC have been sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation, for a total amount of P39,192 million. With the completion of the offering, SMFB is compliant with the MPO Rule.

As at December 31, 2023 and 2022, the Parent Company has a total of 178 and 177 common stockholders, respectively.

Preferred Shares issued and listed with the PSE on March 3, 2011
A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered 15,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares at an offer price of P1,000.00 per share during the period February 14 to 25, 2011. The dividend rate was set at 8% per annum with dividend payment dates on March 3, June 3, September 3 and December 3 of each year calculated on a 30/360-day basis, as and if declared by the BOD. The preferred shares are redeemable in whole or in part, in cash, at the sole option of the Parent Company, at the end of the 5th year from issuance date or on any dividend payment date thereafter, at the price equal to the issue price plus any accumulated and unpaid cash dividends. Optional redemption of the preferred shares prior to 5th year from issuance date was provided under certain conditions (i.e., accounting, tax or change of control events), as well as on the 3rd anniversary from issuance date or on any dividend payment date thereafter, as and if declared by the BOD. Unless the preferred shares are redeemed by the Parent Company on its 5th year anniversary, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 8% or the ten-year PDST-F rate prevailing on the optional redemption date plus 3.33% per annum.

On February 3, 2015, the Parent Company's BOD approved the redemption on March 3, 2015 of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of the Parent Company's treasury shares.

Perpetual Series "2" Preferred Shares Issued and Listed with the PSE on March 12, 2015
On January 20, 2015, the BOD of the PSE approved, subject to SEC approval and certain conditions, the application of the Parent Company to list up to 15,000,000 perpetual series "2" preferred shares (FBP2 Shares) with a par value of P10.00 per share to cover the Parent Company's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered the Parent Company's Registration Statement covering the registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share (the "FBP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on the Parent Company's application to list up to 15,000,000 FBP2 Shares with a par value of P10.00 per share to cover the FBP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by the Parent Company's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the FBP2 Shares Offering, management determined the terms of the FBP2 Shares (Terms of the Offer), including the initial dividend rate for the FBP2 Shares at 5.6569% per annum.

A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of P1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the Parent Company, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 FBP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

The proceeds from the issuance of FBP2 Shares, net of transaction costs, amounted to P14,885.

On February 3, 2020, the Parent Company's BOD approved the redemption on March 12, 2020 of the 15,000,000 outstanding FBP2 shares issued on March 12, 2015 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends shall be paid on March 12, 2020 to relevant stockholders of record as at February 17, 2020.

Treasury Shares

Treasury shares, totaling 42,077,580 common shares as at December 31, 2023 and 2022, and 30,000,000 preferred shares as at December 31, 2023 and 2022, respectively, are carried at cost.

Retained Earnings

Unappropriation

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

The Parent Company's retained earnings as at December 31, 2023 and 2022 is restricted in the amount of P182 representing the cost of common shares held in treasury.

Appropriation

On March 7, 2023, the BOD of SMB approved additional appropriations of P10,000 of its retained earnings for the repayment of a term loan with a local bank secured in December 2022 and P2,538 for the redemption of the Series H bonds which will mature in April 2024.

On June 1, 2023, the BOD of SMFI appropriated an additional P8,000 of its retained earnings for its port and grain terminal projects which are expected to be completed within the next five years.

On December 2, 2022, the BOD of SMB appropriated an additional P7,000 of its retained earnings for the repayment of its term loans with various banks entered in 2022 and P200 for the construction projects in Novaliches and Sariaya, Quezon. Target completion date of Novaliches and Sariaya, Quezon projects is in November 2025 and December 2027, respectively.

On June 13, 2022, the BOD of SMFI approved the reversal of previous appropriations of P8,000 in 2015 and 2018 for the on-going expansion projects, and the appropriation of P9,000 for its succeeding feedmill expansion projects that are expected to be completed within the next four years.

On December 3, 2021, the BOD of SMB approved additional appropriations of P16,211 of its retained earnings for the repayment of the SMB's term loans with various banks entered in 2021 and construction of malt terminal in Lucanin Bataan. P71 and P437 were disbursed in 2023 and 2022, respectively while P31 was paid to a local bank for partial payment of principal in 2022. The appropriations to the extent disbursed were accordingly reversed. Lucanin project is expected to be completed in April 2025.

On November 10, 2021, the BOD of GSMI approved the appropriation of P3,512 retained earnings, of the said amount, P3,000 will be used for expansion of capacity to support increase in demand and P512 will be used for rehabilitation of its existing facilities until 2027.

On December 4, 2020, the BOD of SMB approved additional appropriations amounting to P17,000 of its retained earnings for the repayment of the term loan entered in 2019 and redemption of the Series F bonds in April 2022. The P7,000 appropriation for the redemption of SMB's Series F bonds was reversed upon the redemption of the said bonds in April 2022.

On December 4, 2019, the BOD of SMB approved additional appropriations amounting to P19,962 of its retained earnings for the redemption of the Series G bonds in April 2021 and capacity expansion of SMB's brewery to support volume growth. A total of P17,462 has been disbursed and accordingly reversed from 2020 to 2021. Out of the remaining P2,500 appropriation will be used for the capacity expansion of Bacolod Brewery, P558 and P878 were disbursed in 2023 and 2022, respectively and were accordingly reversed. The remaining amount of the appropriation pertains to support facilities expected to be completed in December 2024.

Of the P11,600 appropriations in 2018 for the construction of a new brewery and for the construction of brewhouse and cellars in Sta. Rosa, Laguna. A total of P11,000 has been disbursed and accordingly from 2019 to 2021. Out of the remaining P600, P126 and P177 were disbursed in 2023 and 2022, were accordingly reversed, respectively andwere accordingly reversed. The remaining amount of the appropriation pertains to support facilities expected to be completed in December 2024.

Dividend Declaration
The BOD of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders:

<u>2023</u>

Class of Shares	**Date of Declaration**	**Date of Record**	**Date of Payment**	**Dividend Per Share**
Common	**February 2, 2023**	**February 17, 2023**	**March 3, 2023**	**P0.40**
	May 9, 2023	**May 24, 2023**	**June 8, 2023**	**0.40**
	August 2, 2023	**August 16, 2023**	**September 1, 2023**	**0.95**
	November 8, 2023	**November 22, 2023**	**December 7, 2023**	**0.95**

<u>2022</u>

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 3, 2022	February 18, 2022	March 3, 2022	P0.40
	May 4, 2022	May 19, 2022	June 3, 2022	0.40
	August 3, 2022	August 18, 2022	September 2, 2022	0.66
	November 9, 2022	November 23, 2022	December 9, 2022	0.66

Some of the Group’s subsidiaries have adjusted unrestricted retained earnings per SEC Revised Securities Regulation Code Rule 68 that exceed their paid-in capital as at December 31, 2023.

<u>Equity Adjustments from Common Control Transactions</u>
The “Equity adjustments from common control transactions” account relate to the acquisition of SMB and GSMI by SMFB through a share swap transaction with SMC in 2018, arising from the difference between the consideration transferred and the net assets acquired. The acquisition is considered to be a business combination of entities under common control as the combining entities are all under the common control of SMC before and after the acquisition. The Group recognized the assets acquired and liabilities assumed at their carrying amounts in the consolidated financial statements of SMC. The carrying amounts in the consolidated financial statements of SMC are based on the fair values of assets and liabilities as of the date SMB and GSMI became subsidiaries of SMC and adjusted for subsequent transactions. Any goodwill relating to SMB and GSMI recognized in the consolidated financial statements of SMC is also recognized.

22. Revenues

This account consists of:

	Note	**2023**	2022	2021
Sale of goods		**P379,792**	P358,811	P309,730
Service revenues and others		**22**	25	22
Fair valuation adjustments on agricultural produce - net	*9*	**8**	17	26
		P379,822	P358,853	P309,778

23. Cost of Sales

This account consists of:

	Note	**2023**	2022	2021
Inventories	*9*	**P158,027**	P150,282	P124,729
Taxes and licenses		**91,510**	83,491	71,964
Depreciation and amortization	*25*	**9,097**	7,809	7,138
Communications, light, fuel and water		**8,943**	9,452	6,010
Personnel	*26*	**5,001**	4,359	3,894
Freight, trucking and handling		**4,117**	4,186	3,523
Repairs and maintenance		**1,648**	1,231	1,262
Rent	*4, 32*	**205**	222	240
Write-down of inventories to net realizable value	*9*	**57**	6	45
Others		**617**	442	501
		P279,222	P261,480	P219,306

24. Selling and Administrative Expenses

This account consists of:

	2023	2022	2021
Selling	**P35,212**	P32,009	P29,436
Administrative	**16,977**	16,653	17,341
	P52,189	P48,662	P46,777

Selling expenses consist of:

	Note	**2023**	2022	2021
Freight, trucking and handling		**P9,561**	P9,391	P8,110
Advertising and promotions		**6,678**	6,022	5,619
Depreciation and amortization	*25*	**6,088**	4,977	3,758
Contracted services		**4,667**	3,822	4,176
Personnel	*26*	**3,752**	3,508	3,323
Rent	*4, 32*	**1,651**	1,626	1,493
Write-down of inventories to net realizable value	*9*	**603**	1,287	872
Taxes and licenses		**545**	500	455
Others		**1,667**	876	1,630
		P35,212	P32,009	P29,436

Administrative expenses consist of:

	Note	2023	2022	2021
Personnel	*26*	**P7,033**	P6,775	P7,665
Contracted services		**2,487**	2,269	2,401
Management fees	*30*	**1,381**	1,488	1,340
Depreciation and amortization	*25*	**979**	1,125	1,198
Rent	*4, 32*	**925**	814	947
Taxes and licenses		**770**	641	674
Repairs and maintenance		**576**	517	580
Professional fees		**515**	479	409
Communications, light, fuel and water		**512**	619	565
Corporate special program		**490**	723	612
Supplies		**233**	273	284
Travel and transportation		**187**	123	101
Insurance		**111**	399	456
Others		**778**	408	109
		P16,977	P16,653	P17,341

"Selling and Administrative Expenses" included COVID-19 related expenses comprised mainly of employee related costs such as special allowances, temporary accommodation, transportation, swab tests and personal protective kits, all to sustain operations despite the risks.

25. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	2023	2022	2021
Cost of sales:				
Biological assets	*10*	**P4,054**	P3,303	P2,896
Property, plant and equipment	*13*	**4,729**	4,212	4,011
Right-of-use assets	*14*	**188**	171	127
Deferred containers and others	*15, 16, 17*	**126**	123	104
	23	**9,097**	7,809	7,138
Selling and administrative expenses:				
Property, plant and equipment	*13*	**1,233**	1,082	1,050
Right-of-use assets	*14*	**490**	591	556
Deferred containers and others	*15, 16, 17*	**5,344**	4,429	3,350
	24	**7,067**	6,102	4,956
		P16,164	P13,911	P12,094

"Others" include depreciation of investment property and amortization of land use rights, computer software and licenses and pallets, kegs and CO2 cylinders.

26. Personnel Expenses

This account consists of:

	Note	**2023**	2022	2021
Salaries and allowances		**P9,588**	P8,845	P8,191
Retirement costs	*29*	**843**	842	2,576
Other employee benefits		**5,355**	4,955	4,115
		P15,786	P14,642	P14,882

Personnel expenses are distributed as follows:

	Note	**2023**	2022	2021
Cost of sales	*23*	**P5,001**	P4,359	P3,894
Selling expenses	*24*	**3,752**	3,508	3,323
Administrative expenses	*24*	**7,033**	6,775	7,665
		P15,786	P14,642	P14,882

27. Other Income and Charges

These accounts consist of:

(a) Interest Expense and Other Financing Charges

	2023	2022	2021
Interest expense	**P4,215**	P3,181	P3,112
Other financing charges	**537**	357	248
	P4,752	P3,538	P3,360

Amortization of debt issue costs included as part of "Other financing charges" amounted to P122, P107 and P93 in 2023, 2022 and 2021, respectively (Note 20).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

	Note	**2023**	2022	2021
Loans payable	*18*	**P473**	P219	P105
Long-term debt	*20*	**3,361**	2,559	2,653
Lease liabilities	*32*	**381**	403	354
		P4,215	P3,181	P3,112

(b) Interest Income

	Note	**2023**	2022	2021
Interest from short-term investments, cash in banks and others	*7*	**P2,617**	P753	P465
Interest on amounts owed by related parties	*30*	**450**	68	3
		P3,067	P821	P468

(c) Other Income (Charges)

	Note	**2023**	2022	2021
Miscellaneous gain - net (a)	*36*	**P2,579**	P200	P428
Rent income	*32*	**264**	199	181
Gain (loss) on foreign exchange - net	*33*	**105**	(226)	23
Gain on sale of scrap materials		**47**	49	43
Gain (loss) on derivatives - net	*34*	**2**	(503)	(509)
Provision on impairment (b)	*13*	**-**	31	(455)
Others - net (c)		**157**	27	92
		P3,154	(P223)	(P197)

a) Miscellaneous gain represents the amount of recognized income from the assignment of product rights, tax credit certificates issued by the BIR to SMB for the tax refund cases involving various San Miguel beer products for the years 2012 issued in 2023 and for the years 2019 and 2020 issued in 2021(Note 36), and loss on sale of La Pacita (Notes 5 and 16).

b) SMMI

In 2022, SMMI recognized impairment loss amounting to P31 due to losses to its properties sustained from a fire incident occurred in its production plant in 2020 and was retired in 2022.

Magnolia - La Pacita Operations

In 2021, Magnolia ceased the operation of La Pacita biscuit and assessed the recoverable value of the trademarks, formulations, recipes and other intangible properties. It was determined that the carrying amount of the asset was higher than the recoverable amount. Impairment loss was recognized amounting to P386 to reduce the carrying amount of trademark to recoverable amount (Notes 5 and 16).

GBGTC

In 2021, GBGTC recognized impairment loss amounting to P38 due to losses incurred from Typhoon Rolly and Ulysses in 2020.

c) “Others - net” include casualty loss, expenses of closed facilities, gain on insurance proceeds and dividend income on investments.

The effects of African Swine Fever (ASF), which started in the third quarter of 2019, continued to unfavorably affect the business which resulted in casualty losses from ASF mortalities, retirement of breeding stocks and closure of related hog facilities.

28. Income Taxes

(a) The components of income tax expense are shown below:

	2023	2022	2021
Current	**P11,923**	P11,039	P9,156
Deferred	**(150)**	65	229
	P11,773	P11,104	P9,385

(b) Deferred tax asset and liabilities as at December 31 arise from the following:

	2023	2022
Net defined benefit retirement obligation and equity reserve for retirement plan	**P1,989**	P1,074
Allowance for impairment losses on receivables and write-down of inventories	**712**	669
NOLCO	**149**	3
MCIT	**10**	15
Unrealized gain on derivatives - net	**34**	69
Others	**289**	657
	P3,183	P2,487

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	**2023**	2022
Deferred tax assets	*4*	**P3,209**	P2,510
Deferred tax liabilities		**(26)**	(23)
		P3,183	P2,487

The movements of deferred tax assets and liabilities are accounted for as follows:

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31, 2023		
					Balance at End of Year	Deferred Tax Asset	Deferred Tax Liability
Net defined benefit retirement obligation and equity reserve for retirement plan	P1,074	P365	P548	P2	P1,989	P2,008	(P19)
Allowance for impairment losses on receivables and write-down of inventories	669	43	-		712	713	(1)
NOLCO	3	150	-	(4)	149	149	-
MCIT	15	(5)	-	-	10	10	-
Unrealized loss on derivatives - net	69	(38)	-	3	34	33	1
Others	657	(365)	-	(3)	289	296	(7)
	P2,487	P 150	P548	(P2)	P3,183	P3,209	(P26)

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31, 2022		
					Balance at End of Year	Deferred Tax Asset	Deferred Tax Liability
Net defined benefit retirement obligation and equity reserve for retirement plan	P445	(P98)	P457	P270	P1,074	P1,074	P -
Allowance for impairment losses on receivables and write-down of inventories	627	36	-	6	669	669	-
NOLCO	15	(12)	-	-	3	3	-
MCIT	12	4	-	(1)	15	15	-
Unrealized loss on derivatives - net	90	17	-	(38)	69	74	(5)
Others	922	(12)	-	(253)	657	675	(18)
	P2,111	(P65)	P457	(P16)	P2,487	P2,510	(P23)

As at December 31, 2023, the NOLCO of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statements of financial position, that can be claimed as deduction from future taxable income are as follows:

Year Incurred/Paid	Carryforward Benefits Up to	NOLCO
2020	December 31, 2025	P81
2021	December 31, 2026	76
2022	December 31, 2025	9
2023	December 31, 2026	38
		P204

As at December 31, 2023, the MCIT of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statements of financial position, that can be claimed as deduction from corporate income tax due are as follows:

Year Incurred/Paid	Carryforward Benefits Up to	MCIT
2021	December 31, 2024	P0
2022	December 31, 2025	7
2023	December 31, 2026	0
		P7

Temporary differences on the combined carryforward benefits of MCIT and NOLCO amounting to P240, P240 and P756 as at December 31, 2023, 2022 and 2021, respectively, were not recognized. Management believes that it may not be probable that sufficient future taxable profits will be available against which the combined carryforward benefits of MCIT and NOLCO can be utilized.

On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of RA No. 11494 ("Bayanihan to Recover as One Act"), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five (5) consecutive taxable years following the year such loss was incurred.

(c) The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2023	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to final tax	**(1.18%)**	(0.35%)	(0.21%)
Others - net	**(0.22%)**	(0.39%)	(1.79%)
Effective income tax rates	**23.60%**	24.26%	23.00%

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which provides that MCIT is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

Effective July 1, 2023, as prescribed by BIR Revenue Memorandum Circular (RMC) No. 69-2023 issued on June 20, 2023, the rate of MCIT for domestic corporations shall be reverted from 1% to 2% of their gross income.

29. Retirement Plan

SMFB, SMB and GSMI, including majority of their subsidiaries, have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans pay out benefits based on final pay. In 2021, the GSMI, SMFI, PF-Hormel and Magnolia made amendments to its Retirement Plan in terms of the percentage of final pay based on the adjusted credited years of service. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2023. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under Republic Act (RA) No. 4917, as amended. The control and administration of Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Majority of the Board of Trustees of the Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of SMFB, SMB, GSMI and their subsidiaries. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of SMC.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Balance at beginning of year	**P15,617**	P16,999	**(P19,110)**	(P18,306)	**P -**	(P63)	**(P3,493)**	(P1,370)
Recognized in Profit or Loss								
Past service costs	**-**	-	**-**	(8)	**-**	-	**-**	(8)
Current service costs	**-**	-	**(843)**	(834)	**-**	-	**(843)**	(834)
Interest expense	**-**	-	**(1,366)**	(902)	**-**	(3)	**(1,366)**	(905)
Interest income	**1,111**	815	**-**	-	**-**	-	**1,111**	815
	1,111	815	**(2,209)**	(1,744)	**-**	(3)	**(1,098)**	(932)
Recognized in Other Comprehensive Income								
Remeasurements:								
Actuarial losses arising from:								
Experience adjustments	**-**	-	**(756)**	(1,846)	**-**	-	**(756)**	(1,846)
Changes in financial assumptions	**-**	-	**(1,338)**	1,563	**-**	-	**(1,338)**	1,563
Changes in demographics assumptions	**-**	-	**(39)**	(35)	**-**	-	**(39)**	(35)
Return on plan assets excluding interest income	**(22)**	(1,601)	**-**	-	**-**	-	**(22)**	(1,601)
Changes in the effect of asset ceiling	**-**	-	**-**	-	**-**	66	**-**	66
Translation adjustments	**(3)**	62	**3**	(58)	**-**	-	**-**	4
	(25)	(1,539)	**(2,130)**	(376)	**-**	66	**(2,155)**	(1,849)
Others								
Contributions	**1,258**	643	**-**	-	**-**	-	**1,258**	643
Benefits paid	**(1,439)**	(1,310)	**1,455**	1,319	**-**	-	**16**	9
Other adjustments	**-**	9	**(4)**	(3)	**-**	-	**(4)**	6
	(181)	(658)	**1,451**	1,316	**-**	-	**1,270**	658
Balance at end of year	**P16,522**	P15,617	**(P21,998)**	(P19,110)	**P -**	P -	**(P5,476)**	(P3,493)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income amounted to P843, P842 and P2,576 in 2023, 2022 and 2021, respectively (Note 26).

The above net defined benefit retirement liability was included in the consolidated statements of financial position as part of:

	Note	**2023**	2022
Other noncurrent assets	*17*	**P4**	P4
Other noncurrent liabilities		**(5,480)**	(3,497)
		(P5,476)	(P3,493)

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2023 and 2022.

The Group's plan assets consist of the following:

	In Percentages	
	2023	2022
Investments in marketable securities and shares of stock	**79.02**	75.36
Investments in pooled funds:		
Stock trading portfolio	**1.32**	1.97
Fixed income portfolio	**6.24**	9.23
Investments in real estate	**1.13**	1.21
Others	**12.29**	12.23

Investments in Marketable and Debt Securities
As of December 31, 2023, the plan assets include:

- 21,801,420 common shares, 8,583,030 Subseries "2-F", 8,369,770 Subseries "2-I", 3,263,040 Subseries "2-J", 2,498,200 Subseries "2-K", 2,107,100 Subseries "2-L, 5,333,600 Subseries "2-N", and 3,107,000 Subseries "2-O" preferred shares of SMC with fair market value per share of P102.10, P72.5, P70.5, P67.95, P68, P78, P77 and P78, respectively;

- Investment in SMC bonds amounting to P1,631;

- 37,404,900 common shares and 364,160 Subseries "PRF3B", 117,000 Subseries "PRF4B", and 504,000 Subseries "PRF4C" preferred shares of Petron with fair market value per share of P3.55, P980, P1,000 and P973, respectively;

- Investment in Petron bonds amounting to P329;

- 28,549,900 common shares of SMB with fair market value per share of P20.00;

- 4,861,134 common shares of GSMI with fair market value per share of P168.70;

- 12,347,650 common shares of SMFB with fair market value per share of P51;

- Investment in SMFB bonds amounting to P178;

- 3,152,443 common shares of Top Frontier with fair market value per share of P101.90;

- 192,144 common shares of PSE with fair market value of P170
- Investment in South Luzon Tollway Corporation (SLTC) bonds amounting to P100;
- Investment in SMC Global Power Holdings Corp. (SMC Global) bonds amounting to P1,075;
- Investment in Bank of Commerce (BOC) bonds amounting to P299; and
- Investment in other bonds amounting to P101.

As of December 31, 2022, the plan assets include:

- 25,567,160 common shares, 8,421,970 Subseries "2-F", 8,369,770 Subseries "2-I", 3,260,040 Subseries "2-J", and 2,498,200 Subseries "2-K" preferred shares of SMC with fair market value per share of P92.95, P75, P75, P72.85, and P71, respectively;
- Investment in SMC bonds amounting to P2,139;
- 9,707,900 common shares and 364,160 preferred shares of Petron with fair market value per share of P2.4 and P1,030.00, respectively;
- Investment in Petron bonds amounting to P317;
- 28,549,900 common shares of SMB with fair market value per share of P20.00;
- 4,861,134 common shares of GSMI with fair market value per share of P105;
- 5,632,050 common shares of SMFB with fair market value per share of P38.70;
- Investment in SMFB bonds amounting to P181;
- 3,151,943 common shares of Top Frontier with fair market value per share of P95;
- 192,144 common shares of PSE with fair market value of P158
- Investment in South Luzon Tollway Corporation (SLTC) bonds amounting to P99;
- Investment in SMC Global Power Holdings Corp. (SMC Global) bonds amounting to P1,112;
- Investment in Bank of Commerce (BOC) bonds amounting to P297; and
- Investment in other bonds amounting to P150.

The fair market value per share of the above shares of stock is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Group's Retirement Plans recognized gains (losses) on the investment in marketable securities of SMC and its subsidiaries amounting to P39 and (P38) in 2023 and 2022, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P297 and P240 in 2023 and 2022, respectively.

Investments in Shares of Stock
The Group's plan assets also include SMB Retirement Plan's investment in 8,608,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under the cost method, amounting to P859 as at December 31, 2023 and 2022 (Note 30).

Investments in Pooled Funds
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of SMC and its domestic subsidiaries to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees of the Group's Retirement Plans approved the percentage of assets to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plans based on their pro-rata share in net assets of pooled funds. The Retirement Plans' interests in the net assets of the pooled funds were 64.5% and 65.7% of fixed income portfolio as of December 31, 2023 and 2022, respectively. The Retirement Plans' interests in net assets of the pooled funds were 85.6% and 85.1% of stock trading portfolio as of December 31, 2022 and 2023, respectively.

Approximately 78.9% and 71.5% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2023 and 2022, respectively.

Approximately 67.5% and 40.2% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2023 and 2022, respectively.

Investments in Real Estate
The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P181 as at December 31, 2023 and 2022.

Others
Others include the Retirement Plan's investments in government securities, cash and cash equivalents, receivables and deposits which earn interest.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute the amount of P1,287 to the Retirement Plans in 2024.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2023	2022
Discount rate	**6.10% - 6.58%**	3.82% - 7.31%
Salary increase rate	**5.00%**	4.00% - 8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 1.50 to 11.70 years and 4.20 to 12.80 years as at December 31, 2023 and 2022 respectively.

As at December 31, 2023 and 2022, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	2023		2022	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,229)**	**P1,369**	(P1,011)	P1,188
Salary increase rate	**1,406**	**(1,247)**	1,210	(1,054)

Transactions with the Retirement Plans are made at normal market prices.

30. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders purchase products and services from one another in the normal course of business. The Parent Company requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the total consolidated assets based on its latest audited financial statements.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at December 31:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	**2023**	**P245**	**P1,590**	**P5,744**	**P1,060**	On demand except redeemable perpetual securities; non-interest bearing	Unsecured; no impairment
	2022	280	1,396	5,757	1,615		
Entities under Common Control of the Intermediate Parent Company	**2023**	**1,078**	**36,777**	**1,968**	**23,196**	On demand; non- interest bearing	Unsecured; no impairment
	2022	1,162	39,670	1,523	21,806		
Joint Venture	**2023**	**40**	**-**	**625**	**2**	On demand or less than 2 to 5 years; interest bearing	Unsecured; with impairment
	2022	2	202	626	2		
Associate of Intermediate Parent Company	**2023**	**411**	**-**	**3,506**	**-**	Less than 1 to 7 years; interest bearing	Unsecured; no impairment
	2022	36	-	11,528	-		
Shareholders in Subsidiaries	**2023**	**315**	**3,845**	**176**	**57**	On demand; non-interest bearing	Unsecured; no impairment
	2022	118	5,152	121	54		
Total	**2023**	**P2,089**	**P42,212**	**P12,019**	**P24,315**		
Total	2022	P1,598	P46,420	P19,555	P23,477		

a. Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses. It also includes investments in equity that pertains to subscription in redeemable perpetual securities and investments in debt securities under investment agreement with Bank of Commerce, both are presented as part of “Investments - net” account in the consolidated statements of financial position (Notes 8, 11, 12 and 17).

b. Amounts owed to related parties consist of trade and non-trade payables (Note 19). Amounts owed to related parties included under “Other noncurrent liabilities” account in the consolidated statements of financial position amounted to P3,433 and P4,031 as at December 31, 2023 and 2022, respectively.

c. The Group has entered into various lease agreements with related parties as a lessor and lessee (Note 32).

d. TSML executed various promissory notes in favor of GSMI.

   - Principal sum of THB250 together with interest of 5.5% per annum, which interest shall accrue on March 13, 2014.
   - Principal sum of THB50 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.
   - Principal sum of THB25 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.
   - Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.
   - Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.

   The principal sum is due and payable in full on demand of GSMI and the stipulated interest shall be payable every three months.

The receivables from TSML amounting to P540 as at December 31, 2023 and 2022, are included as part of "Amounts owed by related parties" under "Trade and other receivables -net" account in the consolidated statements of financial position (Note 8).

e. On September 29, 2022, SMFI entered into separate Contract to Sell Agreements with Grand Planters International, Inc., Dewsweeper Industrial Park, Inc. and Bluelight Industrial Estate, Inc. for the acquisition of parcels of land located in the provinces of Quezon and Negros Occidental. Total purchase price amounted to P5,135, payable on installments basis up to 2026.

f. The compensation of the key management personnel of the Group, by benefit type, follows:

	Note	**2023**	2022	2021
Short-term employee benefits		**P214**	P206	P135
Retirement costs	*29*	**19**	12	27
		P233	P218	P162

31. Basic Earnings Per Common Share

Basic EPS is computed as follows:

	2023	2022	2021
Net income attributable to equity holders of the Parent Company (a)	**P23,118**	P22,263	P19,789
Weighted average number of common shares (in millions) (b)	**5,909**	5,909	5,909
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	**P3.91**	P3.77	P3.35

As at December 31, 2023, 2022 and 2021, the Group has no dilutive equity instruments.

32. Lease Commitments

Operating Leases

Group as Lessor

The Group has entered into lease agreements on its investment property, offices and machinery and equipment. The non-cancellable leases have lease term of one to five years. Some lease agreements include a clause to enable upward revision of the rental change on an accrual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

Operating Leases under PFRS 16	**2023**	2022
Within one year	**P888**	P594
After one but not more than five years	**2,760**	1,420
After five years	**8,981**	5,036
	P12,629	P7,050

Rent income recognized in the consolidated statements of income amounted to P264, P199 and P181 in 2023, 2022 and 2021, respectively (Notes 4 and 27).

Group as Lessee
The Group leases a number of equipment, offices, warehouses, factory facilities and parcels of land under operating lease. The leases will expire in various terms. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

As at January 1, 2019, the Group recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets (Notes 3 and 14).

The Group recognized interest expense related to these leases amounting to P381,P403 and P354 in 2023, 2022 and 2021, respectively (Note 27).

Changes in liabilities arising from financing activities are as follows:

	2023	2022
Balance as at January 1	**P5,473**	P4,834
Changes from Financing Activities		
Payments of lease liabilities	**(520)**	(603)
Total Changes from Financing Activities	**(520)**	(603)
Other Changes		
Additions during the year	**223**	1,242
Balance as at December 31	**P5,176**	P5,473

Rent expense recognized in the consolidated statements of income amounted to P2,781, P2,662 and P2,680 in 2023, 2022 and 2021, respectively (Notes 4, 23, 24 and 30).

33. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, trade payables and other current liabilities, excluding dividends payable and statutory liabilities, and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as commodity and currency options and forwards are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price and foreign currency risks arising from the operating activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group’s corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors’ qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management’s process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD.

The Audit Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the SEC and/or the PSE.

The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The terms and maturity profile of the interest-bearing long-term borrowings, together with its gross amounts, are shown in the following tables:

December 31, 2023	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	**P12,761**	**P24,286**	**P29,178**	**P9,255**	**P75,480**
Interest rate	**3.284%-6.00%**	**3.284%-5.050%**	**3.548%-6.8412%**	**3.548%**	
Floating Rate					
Philippine peso-denominated	**120**	**238**	**238**	**7,285**	**7,881**
Interest rate		BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	P12,881	**P24,524**	**P29,416**	**P16,540**	**P83,361**

December 31, 2022	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate	P390	P24,985	P34,318	P10,975	P70,668
Philippine peso-denominated					
Interest rate	3.284%-4.2105%	3.284%-6.00%	3.284%-6.8412%	3.5483%-4.15%	
Floating Rate	119	238	238	7,405	8,000
Philippine peso-denominated					
Interest rate		BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	P509	P25,223	P34,556	P18,380	P78,668

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P79 and P80 for the year ended December 31, 2023 and 2022, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using derivative and non-derivative instruments to manage its foreign currency risk exposure.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2023		2022	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$297**	**P16,460**	US$256	P14,301
Trade and other receivables	**34**	**1,899**	30	1,677
Noncurrent receivables	**-**	**7**	-	8
	331	**18,366**	286	15,986
Liabilities				
Trade payables and other current liabilities	**123**	**6,818**	157	8,777
Lease liabilities	**1**	**39**	-	-
Other noncurrent liabilities	**-**	**17**	-	-
	124	**6,874**	157	8,777
Net Foreign Currency-denominated Monetary Assets	**US$207**	**P11,492**	US$129	P7,209

The Group reported net foreign exchange gains (losses) amounting to P105, (P226) and P23 in 2023, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 27). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2023	**55.370**
December 31, 2022	55.755
December 31, 2021	50.999

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as at December 31, 2023 and 2022.

	2023			
	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
	Effect on Income before Income Tax	**Effect on Equity (Net of Tax)**	**Effect on Income before Income Tax**	**Effect on Equity (Net of Tax)**
Cash and cash equivalents	**(P34)**	**(P289)**	**P34**	**P289**
Trade and other receivables	**(6)**	**(33)**	**6**	**33**
	(40)	**(322)**	**40**	**322**
Trade payables and other current liabilities	**52**	**110**	**(52)**	**(110)**
Finance lease liabilities	**-**	**1**	**-**	**(1)**
	52	**111**	**(52)**	**(111)**
	P12	**(P211)**	**(P12)**	**P211**

	2022			
	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P38)	(P247)	P38	P247
Trade and other receivables	(6)	(29)	6	29
	(44)	(276)	44	276
Loans payable				
Trade payables and other current liabilities	68	141	(68)	(141)
Other noncurrent liabilities	-	-	-	-
	68	141	(68)	(141)
	P24	(P135)	(P24)	P135

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group of Companies and managing inventory levels of common materials.

The Group uses commodity futures, swaps and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2023	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P57,007**	**P57,007**	**P57,007**	**P -**	**P -**	**P -**
Trade and other receivables -net	**25,869**	**25,869**	**25,869**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**50**	**50**	**50**	**-**	**-**	**-**
Financial assets at FVOCI (included under "Investments - net" account)	**5,628**	**5,628**	**-**	**-**	**-**	**5,628**
Financial assets at amortized cost (included under "Investments - net" account)	**11,500**	**16,131**	**764**	**841**	**2,520**	**12,006**
Noncurrent receivables and deposit - net (included under "Other noncurrent assets - net" account)	**183**	**183**	**-**	**29**	**29**	**125**
Financial Liabilities						
Loans payable	**14,684**	**14,658**	**14,658**	**-**	**-**	**-**
Trade payables and other current liabilities (excluding derivative liabilities)	**65,208**	**65,208**	**65,208**	**-**	**-**	**-**
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**80**	**80**	**80**	**-**	**-**	**-**
Long-term debt (including current maturities)	**82,810**	**96,190**	**16,926**	**15,395**	**46,680**	**17,189**
Lease liabilities (including current portion)	**5,176**	**11,546**	**708**	**643**	**1,798**	**8,397**
Other non-current liabilities	**3,447**	**3,447**	**-**	**3,430**	**-**	**17**

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P41,099	P41,099	P41,099	P -	P -	P -
Trade and other receivables -net	22,110	22,110	22,110	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	100	100	100	-	-	-
Financial assets at FVOCI (included under "Investments - net" account)	5,643	5,643	-	-	-	5,643
Financial assets at amortized cost (included under "Investments - net" account)	11,500	11,529	-	-	-	11,529
Noncurrent receivables and deposit - net (included under "Other noncurrent assets - net" account)	156	156	-	-	-	156
Financial Liabilities						
Loans payable	21,055	21,008	21,008	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	62,332	62,332	62,332	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	204	204	204	-	-	-
Long-term debt (including current maturities)	78,239	93,900	4,312	16,544	53,080	19,964
Lease liabilities (including current portion)	5,473	6,306	473	391	999	4,443
Other non-current liabilities	5,193	5,193	-	5,181	-	12

Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investment in Debt Instruments
The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Credit Quality
In monitoring and controlling credit extended to a counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	Note	**20233**	2022
Cash and cash equivalents (excluding cash on hand)	*7*	**P55,260**	P40,159
Trade and other receivables -net	*8*	**25,869**	22,110
Derivative assets	*11*	**50**	100
Financial assets at FVOCI	*12*	**5,628**	5,643
Financial assets at amortized cost		**11,500**	11,500
Noncurrent receivables and deposits -net	*17*	**183**	156
		P98,490	P79,668

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	Financial Assets at Amortized Cost				
2023	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL -credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P55,260**	**P -**	**P -**	**P -**	**P55,260**
Trade and other receivables -net	**25,869**	**-**	**1,185**	**-**	**27,054**
Derivative assets	**-**	**-**	**-**	**50**	**50**
Financial assets at amortized cost	**11,500**	**-**	**-**	**-**	**11,500**
Noncurrent receivables and deposits -net	**-**	**183**	**-**	**-**	**183**
	P92,629	**P183**	**P1,185**	**P50**	**P94,047**

	Financial Assets at Amortized Cost				
2022	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL -credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P40,159	P -	P -	P -	P40,159
Trade and other receivables -net	22,110	-	1,193	-	23,303
Derivative assets	-	-	-	100	100
Financial assets at amortized cost	11,500	-	-	-	11,500
Noncurrent receivables and deposits -net	-	156	-	-	156
	P73,769	P156	P1,193	P100	P75,218

The aging of receivables is as follows:

December 31, 2023	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P17,016**	**P621**	**P459**	**P18,096**
Past due:				
1 - 30 days	**4,790**	**165**	**202**	**5,157**
31 - 60 days	**491**	**61**	**78**	**630**
61 - 90 days	**186**	**129**	**35**	**350**
Over 90 days	**595**	**616**	**1,610**	**2,821**
	P23,078	**P1,592**	**P2,384**	**P27,054**

December 31, 2022	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P14,941	P741	P465	P16,147
Past due:				
1 - 30 days	3,558	160	168	3,886
31 - 60 days	300	69	102	471
61 - 90 days	129	32	94	255
Over 90 days	674	686	1,184	2,544
	P19,602	P1,688	P2,013	P23,303

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

The Group's cash and cash equivalents, derivative assets, financial assets at FVOCI and investment in debt instruments at amortized cost are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

The Group does not execute any credit guarantee in favor of any counterparty.

<u>Financial and Other Risks Relating to Livestock</u>

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group is not subject to externally imposed capital requirements.

34. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments as at December 31, 2023 and 2022:

	2023		2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P57,007**	**P57,007**	P41,099	P41,099
Trade and other receivables - net	**25,869**	**25,869**	22,110	22,110
Derivative assets (included under "Prepaid expenses and other current assets" account)	**50**	**50**	100	100
Financial assets at FVOCI (included under "Investments - net" account)	**5,628**	**5,628**	5,643	5,643
Financial assets at amortized cost (included under "Investments - net" account)	**11,500**	**11,500**	11,500	11,500
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**183**	**183**	156	156
Financial Liabilities				
Loans payable	**14,684**	**14,684**	21,055	21,055
Trade payables and other current liabilities (excluding derivative liabilities)	**65,208**	**65,209**	62,332	62,332
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**80**	**80**	204	204
Long-term debt (including current maturities)	**82,810**	**80,692**	78,239	74,426
Lease liabilities (including current portion)	**5,176**	**5,176**	5,473	5,473
Other noncurrent liabilities	**3,447**	**3,447**	5,193	5,193

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding commodity derivatives, the fair values are determined based on quoted prices obtained from active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market.

Investment in Debt Instruments. The fair value of investment in debt instruments is estimated as the present value of all future cash flows discounted using prevailing market rate of interest for a similar instrument as of the end of the reporting period.

Loans Payable, Trade Payables and Other Current Liabilities, and Other Noncurrent Liabilities. The carrying amounts of loans payable and trade payables and other current liabilities approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. As at December 31, 2023 and 2022, discount rates used ranges from 5.03% to 5.96% and from 2.65% to 9.04% respectively.

<u>Derivative Financial Instruments</u>
The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

<u>Derivative Instruments Not Designated as Hedges</u>
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives
Freestanding derivatives consist of various commodity options entered into by SMC on behalf of the Group.

As of December 31, 2023 and 2022, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As of December 31, 2023 and 2022, the total outstanding notional amount of such embedded currency forwards amounted to US$109 and US$122, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to (P30) and (P104) as of December 31, 2023 and 2022, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to P2, (P503) and (P509) in 2023, 2022 and 2021, respectively (Note 27).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	Note	**2023**	2022
Balance at beginning of year		**(P104)**	(P181)
Net change in fair value of non-accounting hedges	*27*	**2**	(503)
		(102)	(684)
Less fair value of settled instruments		**72**	580
Balance at end of year		**(P30)**	(P104)

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

2023	**Level 1**	**Level 2**	**Total**
Financial Assets			
Derivative assets	**P -**	**P50**	**P50**
Financial assets at FVOCI	**5,628**	**-**	**5,628**
Financial assets at amortized cost	**11,500**	**-**	**11,500**
Financial Liabilities			
Derivative liabilities	**-**	**80**	**80**

2022	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P100	P100
Financial assets at FVOCI	5,643	-	5,643
Financial assets at amortized cost	11,500	-	11,500
Financial Liabilities			
Derivative liabilities	-	204	204

The Group has no financial instruments valued based on Level 3 as at December 31, 2023 and 2022. In 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

35. Registration with the Board of Investments (BOI) and the Authority of Freeport Area of Bataan (AFAB)

Certain expansion projects of SMFB's consolidated subsidiaries are registered with the BOI, as pioneer and non-pioneer status, or with AFAB. As registered enterprises, these SMFB's subsidiaries are subject to certain requirements and are entitled to certain tax and non-tax incentives.

<u>SMFI</u>

SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat meals projects. In accordance with the provisions of Executive Order (EO) No. 226 or the Omnibus Investment Code of 1987 and the RA No. 9728, also known as "The Freeport Area of Bataan Act of 2009", pursuant to RA No. 11534 or the CREATE Act, the projects are entitled, among others, to fiscal incentives described as follows:

a) *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. The four-year ITH period of the project which commenced on July 1, 2018 had expired last June 30, 2022.

   Notwithstanding the expiration of ITH benefit in 2022, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

b) *New Producer of Animal and Aqua Feeds.* The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

   On May 24, 2019, the BOI approved SMFI's request to move the Davao Feedmill Project's start of commercial operations and ITH reckoning date to April 2019. The four-year ITH period of the project which commenced on April 1, 2019 had expired last March 31, 2023.

   Notwithstanding the expiration of ITH benefit in 2023, the SMFI is still required to continue the submission of annual reports to the BOI until 2028, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

c) *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered with the BOI on a non-pioneer status on November 10, 2015 under Certificate of Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

On May 24, 2019, the BOI approved SMFI's request to move the Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 2019. The four-year ITH period of the project which commenced on December 1, 2019 had expired last November 30, 2023.

Notwithstanding the expiration of ITH benefit in 2023, the SMFI is still required to continue the submission of annual reports to the BOI until 2028, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

d) SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the AFAB as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species* on January 6, 2017 under Certificate of Registration No. 2017-057, valid for a period of one year, renewable annually subject to qualifications as determined by AFAB.

Said AFAB registration of the Bataan Feedmill Project has been renewed accordingly as follows:

Registration Renewal Date	Certificate of Registration No.	Annual Period Covered
March 6, 2018	2018-096	2018
February 14, 2019	2019-079	2019
December 10, 2019	2020-047	2020
December 29, 2020	2021-081	2021
May 30, 2022	2022-111	2022

Under the terms of SMFI's AFAB registration, the Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project which commenced on May 1, 2018 had expired last April 2022.

Notwithstanding the expiration of ITH benefit in 2022, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

e) *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Phividec, Tagoloan, Misamis Oriental feedmill project (CDO Feedmill Project) was registered with the BOI on a non-pioneer status on May 27, 2020 under Certificate of Registration No. 2020-075. The CDO Feedmill Project is entitled to ITH for four years from June 2020 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. ITH period of the project commenced on June 1, 2020 and will expire on May 2024.

f) *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Barangay Soyung, Echague, Isabela feedmill project (Echague Feedmill Project) was registered with the BOI on a non-pioneer status on June 5, 2023 under Certificate of Registration No. 2023-100 pursuant to RA No. 11534 (CREATE Act). The Echague Feedmill Project is entitled to ITH for six years from June 2023 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. ITH period of the project commenced on June 5, 2023 and will expire on June 4, 2029.

With the current provisions of RA No. 11534 or the CREATE Act, registered investment projects prior to CREATE granted with ITH are entitled to finish their ITH entitlement as scheduled, and are given an option to reapply for new tax incentives for the same activity as provided under Section 294 (B) of the same Act.

SMMI

SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Products (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in EO No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier.

SMMI subsequently requested to further adjust the ITH reckoning date to July 2019 or actual start of commercial operations, whichever is earlier which was approved by BOI on July 25, 2019.

On August 7, 2020, by virtue of Resolution No. 15-19, Series of 2020, the BOI granted SMMI's request for amendment of ITH Base Figure from peso sales value of P9,582 to sales volume of 388,447 metric tons, which shall be effective only from taxable year 2020 onwards.

The three-year ITH period of the project which commenced on December 1, 2019 had expired last June 30, 2022.

Notwithstanding the expiration of ITH benefit in 2022, SMMI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

PF-Hormel

PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in EO No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017 until November 2020.

Notwithstanding the expiration of ITH benefit in 2020, PF-Hormel is still required to submit the annual reports to the BOI until 2025, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

36. Other Matters

(a) Toll Agreements

The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the "Parties"). The terms of the agreements include the following, among others:

- The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.

- Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.

- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses amounted to P7,234, P7,876 and, P7,784, respectively, in 2023, 2022 and 2021.

(b) Contingencies

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

- Claims for Tax Refund

  i. Filed by SMC

  In 2004, SMC was assessed excise taxes by the BIR on "San Mig Light" which at that time was one of its products. These assessments were contested by SMC but nonetheless made the corresponding payments. Consequently, SMC filed three claims for refund for overpayments of excise taxes with the BIR.

  The first and second claims for refund were then elevated to the Court of Tax Appeals (CTA) and went all the way to the Supreme Court which was resolved in favor of SMC. On September 8, 2020, the BIR issued TCC Nos. 121-20-00012 and 121-20-00013 amounting to P782 and P926, respectively in favor of SMC. P255 and P62 out of P782 TCC was partially applied to SMC's 2022 and 2021 tax obligations, respectively. As at December 31, 2023, the P926 TCC was not yet applied to any of SMC's tax obligations.

  The third claim for refund was consolidated with a claim for refund which was filed by SMB, a company to which, effective October 1, 2007, SMC had spun off its domestic beer business. The claim was also favorably resolved in favor of SMC and SMB. On August 10, 2020, the BIR issued TCC No. 121-20-00010 amounting to P105 in favor of SMC, which was applied in full to SMC's tax obligations as at December 31, 2021.

ii. Filed by SMB

SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review. Five of these claims (i.e., CTA Case Nos. 7973, 8209, 8400, 8591 and 8748) were decided by the Supreme Court in favor of SMB and tax credit certificates amounting to P1,430, P1,569 and P761 were received in 2019, 2020 and 2023, respectively. One claim (CTA Case No. 10241) was withdrawn with the issuance of a tax credit certificate in the amount of P162 in 2021. The remaining seven claims for refund are still pending before the courts, as follows:

(a) Claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);

(b) Claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);

(c) Claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);

(d) Claim for refund of overpayments for the period from January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);

(e) Claim for refund of overpayments for the period from January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);

(f) Claim for refund of overpayments for the period from January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019); and

(g) Claim for refund for overpayments for the period of January 23, 2020 to February 9, 2020 - First Division docketed as CTA Case No. 10745 (via electronic mail on January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022).

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the Regional Trial Court (RTC) rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA En Banc by way of a Petition for Review. On September 19, 2018, the CTA En Banc reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA En Banc in a resolution dated January 24, 2019. The BIR sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738. After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated. The records were remanded to the CTA Third Division and the case is now submitted for the CTA Third Division's decision.

CTA Third Division partially granted SMB's Petition on September 14, 2023. The BIR is ordered to refund or issue a TCC in the reduced amount of P83, representing overpayment of excise taxes on the "San Mig Light' removals for the period from January 1, 2013 to December 31, 2013. The BIR filed a Motion for Reconsideration with CTA Third Division which was denied.

CTA Case No. 9223, SMB's claim for refund for P60, was partially decided in favor of SMB by the CTA Third Division in April 2019. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA En Banc. On February 21, 2022, the CTA En Banc rendered a Decision denying the separate Petitions for Review. On March 21, 2022, SMB elevated the Decision of the CTA En Banc by way of a Petition for Review to the Supreme Court, where it was docketed as G.R. No. 258812. The BIR also elevated the CTA En Banc's Decision to the Supreme Court which was docketed as G.R. No. 261197. In GR No. 258812, the Supreme Court issued a Resolution requiring the BIR to comment on SMB's Petition. The Office of the Solicitor General (OSG) filed a Manifestation and Motion praying that it be excused from filing a comment since the CTA decision is in order. In GR No. 261197, the OSG filed a Manifestation and Motion informing the Supreme Court that it decided not to file the Petition since the CTA decision is in order.

CTA Case No. 9513, SMB's claim for refund for P48, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA En Banc. On February 4, 2021, the CTA En Banc affirmed the decision of the CTA Second Division. Both parties filed motions for partial reconsideration of the CTA En Banc's Decision. In its October 22, 2021 Resolution, the CTA En Banc denied the parties' motion for reconsideration. SMB and the BIR filed separate Petitions for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784 and 259263, respectively. These were consolidated by the Supreme Court, after which the BIR filed its comment to SMB's Petition as directed by the court.

CTA Case No. 9743, SMB's claim for refund for P30, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petition for Review with the CTA En Banc. On February 10, 2022, the CTA En Banc rendered a Decision denying the Petitions for Review. The BIR moved for reconsideration while SMB filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 258813. Upon denial by the CTA En Banc of the BIR's motion for reconsideration, the BIR also filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R.

No. 261196. In G.R. No. 258813, the Supreme Court issued a Resolution dated October 2, 2023 ordering the BIR to refund the amount of P3. In G.R. No. 261196, the Supreme Court issued a Resolution dated April 19, 2023 denying the petition for failure to sufficiently show that the CTA committed any reversible error.

CTA Case No. 10000, SMB's claim for refund for P123, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of P123. The BIR filed for a motion for reconsideration which was denied by the CTA Third Division. The BIR filed a Petition for Review with CTA En Banc docketed as CTA En Banc No. 2625. SMB filed its Comment dated July 25, 2022. On August 2, 2023, the CTA En Banc promulgated its Decision in CTA EB No. 2625 affirming the decision of the CTA Third Division in favor of SMB. The BIR moved for reconsideration but the same was denied by the CTA En Banc on January 8, 2024. The BIR then filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 271254.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA Second Division. In its Resolution dated July 19, 2022, the case was submitted for decision. On July 5, 2023, the CTA Second Division promulgated its Decision which ordered the CIR to refund or to issue a TCC in favor of SMB in the amount of P147 representing erroneously, excessively, and/or illegally collected excise taxes due on the removals of its subject beer products for the period covering January 1, 2018 to December 31, 2018.

On July 25, 2023, the CIR filed a Motion for Reconsideration on the aforesaid Decision, to which SMB filed an Opposition. In a Resolution dated October 9, 2023, the Court denied the Motion for Reconsideration of the CIR.

On December 14, 2023, the CIR appealed the Decision and Resolution of the CTA Second Division to the CTA En Banc by way of a Petition for Review, which was docketed as CTA EB No. 2834.

CTA Case No. 10745, SMB's claim for refund for P1,069, was personally filed on February 2, 2022 and is pending with the CTA First Division. The case is a consolidation of two claims, to wit:

i. P8 under RA No. 10351 - the overpayment arose from the BIR's imposition of excise tax of P27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on Revenue Memorandum Circular (RMC) No. 90-2012 and RR No. 17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of P26.44 per liter under Section 143 of the National Internal Revenue Code (NIRC), as amended by RA No. 10351 beginning January 1, 2020.

ii. P1,061 under RA No. 11467 - the overpayment arose from the BIR's imposition of excise tax of P35.00 per liter on SMB's beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

The case is now submitted for decision.

<u>Administrative Case</u>
SMB filed an administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of P8 with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of P8 which was fully utilized against SMB's tax obligations in 2022.

iii. Filed by GSMI

GSMI filed two claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review as follows:

(a) CTA Case Nos. 8953 and 8954: These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, The CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on 02 September 2020, to which the Commissioner of Internal Revenue filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P320 out of its original claim of P715.

GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

On January 4, 2022, GSMI elevated to the CTA En Banc the Decision dated 28 July 2020, Amended Decision dated February 1, 2021, and Resolution dated October 28, 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA E.B. No. 2555.

Earlier, the CIR also filed a Petition for Review with the CTA En Banc elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division, and the same was docketed as CTA E.B. No. 2544.

On March 28, 2022, the Court En Banc ordered the Parties to file their respective Comments/Oppositions to the Petitions for Review. On April 7, 2022, GSMI filed a Motion for Extension of Time to File Comment on the Petition for Review in CTA EB No. 2544.

On April 21, 2022, GSMI filed its Comment on the Petition for Review. On May 30, 2022, the Court En Banc promulgated a Resolution which denied GSMI's Motion for Extension and submitted the Petitions for Review for decision. On June 13, 2022, GSMI filed its Motion for Reconsideration assailing the said Resolution.

On October 4, 2022, the Court En Banc promulgated a Resolution which set aside the May 30, 2022 Resolution insofar as the Petitions for Review were submitted for decision. The Resolution likewise directed the CIR to file a Comment to GSMI's Motion for Reconsideration, to which the CIR failed despite due notice.

On 18 January 2023, the CTA En Banc granted GSMI's Motion for Extension of Time to File Comment on the Petition for Review in CTA E.B. No. 2544 and admitted GSMI's Comment as part of the records of the case.

In a Decision dated January 18, 2024 received by GSMI on January 23, 2024, the CTA En Banc denied both the Petitions for Review of GSMI and the CIR, and affirmed the Amended Decision of the CTA Third Division dated October 28, 2021 awarding GSMI a partial refund of P320 only.

GSMI had fifteen (15) days from January 23, 2024, or until February 7, 2024, within which to file a Petition for Review on Certiorari with the Supreme Court. On January 30, 2024, GSMI filed a Motion for Extension of Time to File Petition for Review on Certiorari, praying for an extension of thirty (30) days from February 7, 2024, or until March 8, 2024 within which to file a Petition for Review on Certiorari.

On March 4, 2024, GSMI filed with the Supreme Court a Petition for Review on Certiorari dated March 1, 2024, and the same was docketed as SC G.R. No. 271363.

(b) CTA Case No. 11052: This case is a judicial claim for refund of alleged deficiency taxes paid under protest by GSMI in connection with its removals of alcohol products for the period covering January 23, 2020 to February 9, 2020, in the aggregate amount of P66.

On July 22, 2020, GSMI received a Notice of Discrepancy dated July 6, 2020 issued by the BIR (the "Original NOD"), which enjoined GSMI to pay alleged deficiency excise taxes in the amount of P40, inclusive of interests, for the period covering January 27, 2020 to February 9, 2020.

On August 6, 2020, GSMI submitted to the BIR its Letter-Reply to the Original NOD, where it emphasized that it is not liable to pay the alleged deficiency excise tax liability, and thus, requested its cancellation and withdrawal.

On October 13, 2020, GSMI received from the BIR a Letter dated September 18, 2020 with an attached Amended Notice of Discrepancy, which modified the amount of the alleged deficiency excise tax liability to P72, inclusive of interests, for the period covering January 23, 2020 to February 9, 2020.

On October 28, 2020, GSMI submitted to the BIR its Letter-Reply to the Amended NOD, where it reiterated its position that it is not liable for the alleged deficiency excise taxes.

On November 11, 2020, GSMI received from the BIR a Letter dated November 6, 2020 which reiterated the finding of alleged deficiency excise tax under the Amended NOD.

On December 29, 2020, GSMI paid under protest the amount of P66, representing the deficiency excise tax portion under the Amended NOD, through the BIR Electronic Filing and Payment System (eFPS).

On January 8, 2021, GSMI submitted to the BIR a Letter-Reply to the BIR's Letter dated November 6, 2020. GSMI reiterated its position that it is not liable for the alleged deficiency excise tax liability under the Amended NOD and informed the BIR that it paid under protest the amount of P66 through eFPS on December 29, 2020. In the same Letter-Reply, GSMI explained that with respect to the assessed penalties from the alleged late payment of the deficiency excise tax, it would avail the remedies available under Revenue Regulations No. 13-2001, as amended.

On July 16, 2021, GSMI received a copy of Letter of Authority (LOA) No. LOA-121-2021-00000109 dated July 1, 2021 issued by the BIR, authorizing its revenue officers to examine GSMI's books of accounts and other accounting records for all internal revenue taxes except for value-added tax for taxable year 2020.

On August 3, 2021, GSMI filed with the CIR an administrative claim for refund of the erroneously or illegally collected deficiency excise tax for the period covering January 23, 2020 to February 9, 2020, in the amount of P66, which GSMI paid under protest on December 29, 2020.

On March 7, 2022, the BIR issued a letter notifying GSMI on the transmittal of the entire docket to CIR's Legal Service Division for its resolution and issuance of a clarificatory ruling on the administrative claim for refund.

Prior to the expiry of the two-year statutory period to file judicial action for the recovery of erroneously or illegally collected internal revenue taxes, GSMI filed a Petition for Review with the CTA on December 28, 2022 pursuant to Section 204(C) and 229, Tax Code, and Section 3(a), Rule 8, Revised Rules of the Court of Tax Appeals (RRCTA) in order to preserve its right to claim by judicial action its claims for refund of its erroneously or illegally collected deficiency excise taxes, in connection with its removals of alcohol products for the period covering January 23, 2020 to February 9, 2020.

The case was docketed as CTA Case No.11052, and was raffled to the CTA's First Division. In a Resolution dated May 29, 2023, the CTA First Division ordered the transfer of the case to the CTA Third Division.

Upon service of Summons to the CIR and the filing of the CIR's Answer dated March 24, 2023, pre-trial conference was held on July 26, 2023. Pursuant to the CTA's Order, the parties filed their Joint Stipulation of Facts and Issues on August 29, 2023. Pre-trial was terminated upon the issuance of the CTA's Pre-Trial Order on September 5, 2023.

GSMI presented its lone witness during the hearing on October 4, 2023. At the same hearing, the CTA ordered GSMI to file its Formal Offer of Evidence (FOE) within 10 days therefrom, or not later than October 13, 2023.

GSMI filed its FOE on October 13, 2023. Respondent CIR filed his Comment with Manifestation on GSMI's FOE on November 17, 2023. Respondent CIR's counsel manifested that they will no longer present testimonial evidence since there was no report of the investigation on GSMI's refund claim forwarded to their office.

On January 25, 2024, GSMI received the CTA's Resolution dated January 23, 2024, which admitted its Exhibits "P-1" to "P-17" and " P-19" to "P-21", inclusive of sub-markings. Moreover, the CTA's Resolution noted the manifestation of Respondent CIR that he will no longer present evidence, constraining the CTA to direct the parties to submit their respective memorandum within thirty (30) days from receipt of the Resolution.

GSMI filed its Memorandum on February 23, 2024. The case is now submitted for resolution.

(c) CTA Case No. 9059: This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said Decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA *En Banc* by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA En Banc denied the Petition for Review filed by GSMI. The Decision dated 6 February 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 10, 2021, GSMI elevated the Decision of the CTA En Banc to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 25839.

- Deficiency Tax Liabilities

   i. IBI

      (a) On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax (DST) and miscellaneous tax deficiencies with administrative penalties. IBI filed a Protest. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657.

      On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, DST and compromise penalty are cancelled and set aside. However, the assessment for deficiency expanded withholding tax is affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

      On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc.* On January 25, 2021, IBI filed its Comment to the Petition for Review. On July 21, 2022, the CTA En Banc denied the BIR's Petition for Review. Thereafter, the BIR filed for a motion for reconsideration which was also denied by the CTA En Banc.

      The BIR filed a Petition for Review on Certiorari dated January 9, 2023 with the Supreme Court docketed as G.R. No. 264402.

   ii. SMFI

      a) SMFI vs. Office of the City Treasurer, City of Davao

      SMFI filed several protests against the assessments issued by the City Treasurer of Davao City imposing permit fees to slaughter against its poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

      Following the dismissal of the appeals filed by SMFI with the Davao RTC, the following Petitions for review were filed with the CTA:

      - CTA Case AC No. 209, filed on August 23, 2018
      - CTA Case AC No. 210, filed on November 12, 2018
      - CTA Case AC No. 249, filed on February 26, 2021

      It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses are beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

In CTA Case AC No. 209, the CTA First Division dismissed SMFI's Petition on May 29, 2020 and denied the Motion for Reconsideration on February 22, 2021. A Petition for Review was filed on May 12, 2021 with the CTA En Banc and docketed as CTA Case EB No. 2474. On January 31, 2023, the CTA En Banc denied SMFI's Petition. SMFI filed for a Motion for Reconsideration which was likewise denied on August 4, 2023. Following the denial, SMFI elevated and filed for Petition for Review with the Supreme Court on December 27, 2023, which is pending resolution to date.

Moreover, the CTA First Division also dismissed on July 3, 2020 the Petition docketed as CTA Case AC No. 210, and on July 28, 2021, SMFI's Motion for Reconsideration was denied. On October 8, 2021, SMFI filed a Petition for Review with the CTA En Banc docketed as CTA Case EB No. 2535, which was likewise denied on May 18, 2023. Thus, a Motion for Reconsideration was filed on September 15, 2023 with the same being denied on March 4, 2024.

Last, the CTA Special Third Division on October 12, 2022, dismissed the Petition for Review docketed as CTA Case AC No. 249 on the grounds of lack of jurisdiction on permit fees as it is not a tax, therefore outside the CTA's jurisdiction. In December 2022, SMFI filed a Motion for Reconsideration but was denied on November 9, 2023.

On April 2, 2024, SMFI decided not to pursue the above cases as the poultry dressing plants were already closed, therefore SMFI will no longer have future economic benefit from winning the cases.

- Intellectual Property Rights

i. G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the Supreme Court. The Supreme Court denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the Supreme Court *En Banc.* The Supreme Court denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the Supreme Court *En Banc*.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of *"League of Cities vs. Commission of Elections"* (G.R. Nos. 176951, 177499 and 178056) to invite the Supreme Court *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the Supreme Court *En Banc* issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On January 4, 2019, the Supreme Court Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R. Nos. 216104, 210224 and 219632) with the En Banc case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of [TDI] and [GSMI] before the [IPO]."

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. No. 196372, GSMI's Petition for Review was granted. The Director of the Bureau of Trademarks was directed to reinstate GSMI's trademark application for "GINEBRA", cause its publication and give it due course

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated August 9, 2022.

On August 29, 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

ii. G. R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the RTC, arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the Court of Appeals, due to technicalities, two (2) cases were lodged in the Court of Appeals: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the Court of Appeals reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the Court of Appeals ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The Court of Appeals likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the Court of Appeals also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the Court of Appeals, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The Court of Appeals added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the Supreme Court, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the Supreme Court on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. Nos. 210224 and 219632, TDI's Petitions for Review were denied, with modification, such that TDI shall pay GSMI temperate damages of P300 and attorney's fees of P200; other awards of damages against TDI are deleted.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated August 9, 2022. On August 29, 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

iii. G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the Court of Appeals reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The Court of Appeals ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For, G.R. No. 216104, TDI's Petition for Review for the rejection of TDI's trademark application for "GINEBRA KAPITAN" was denied.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated 9 August 2022. On August 29, 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

(c) Commitments

The outstanding purchase commitments of the Group as at December 31, 2023 and 2022 amounted to P71,832 and P67,751, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

(d) Foreign Exchange Rates

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso were closing rates of P55.370 and P55.755 in 2023 and 2022, respectively, for consolidated statements of financial position accounts; and average rates of P55.632, P54.502 and P49.285 in 2023, 2022 and 2021, respectively, for income and expense account

(e) Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

37. Event After the Reporting Date

Declaration of Cash Dividends
On February 1, 2024, the BOD of the Parent Company declared cash dividends to all common shareholders of record as of February 16, 2024 amounting to P0.45 per common share. Cash dividends for common shares was paid on March 1, 2024.

C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 1 8 4 0

COMPANY NAME

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month Day)	Fiscal Year (Month Day)
178	June 7	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Food and Beverage, Inc. (the Company) and Subsidiaries (the Group), as at and for the years ended December 31, 2023 and 2022, on which we have rendered our report dated April 12, 2024.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

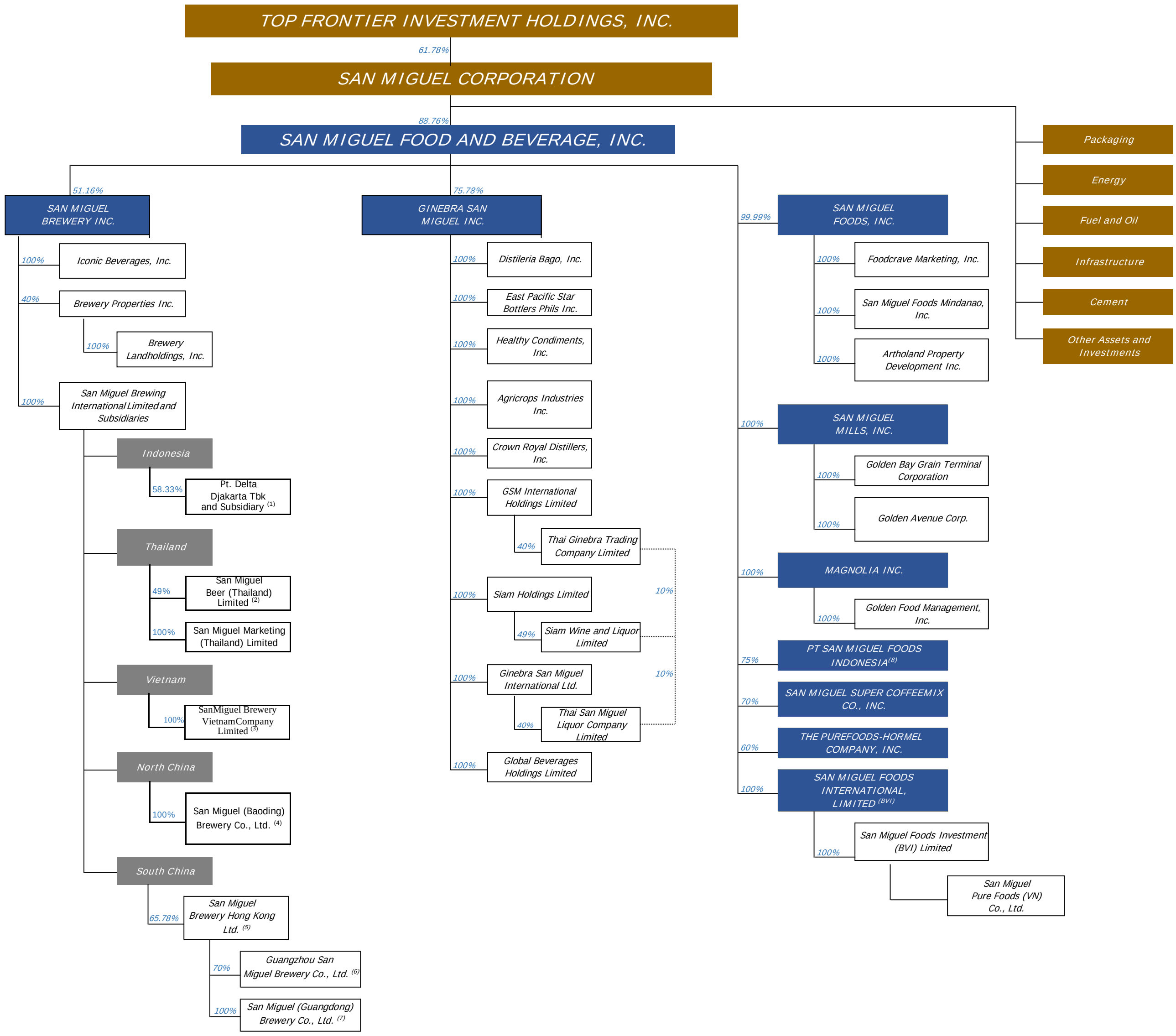
This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

JOSE P. JAVIER, JR.
Partner
CPA License No. 0070807
Tax Identification No. 112-071-224
BIR Accreditation No. 08-001987-046-2022
Issued October 17, 2022; valid until October 17, 2025
PTR No. MKT 10075183
Issued January 2, 2024 at Makati City

April 12, 2024
Makati City, Metro Manila

SAN MIGUEL FOOD AND BEVERAGE, INC. MAP OF THE CONGLOMERATE
DECEMBER 31, 2023



The structure includes the ultimate parent company, Top Frontier Investment Holdings, Inc. and the intermediate parent company, San Miguel Corporation with its major subsidiaries, associates and joint ventures.

I. San Miguel Food and Beverage, Inc.

1. *Owned thru San Miguel Malaysia (L) Pte. Ltd.*
2. *Owned thru San Miguel Holdings (Thailand) Limited*
3. *Owned thru Dragon Island Investments Limited and San Miguel (Vietnam) Limited*
4. *Owned thru San Miguel Brewing International Limited (BVI) and San Miguel (China) Investment Company Limited. The company has ceased operations and is in the process of liquidation.*
5. *Owned thru Neptunia Corporation Limited*
6. *Owned thru San Miguel (Guangdong) Limited (93%). The company has ceased operations and is in the process of liquidation.*
7. *Owned thru San Miguel Shunde Holdings Limited (92%)*
8. *The company has ceased operations and is in the process of liquidation.*

II. Co-Subsidiaries

9. *Packaging includes San Miguel Yamamura Packaging Corporation and subsidiaries, Mindanao Corrugated Fibreboard, Inc., and San Miguel Yamamura Packaging International Limited and subsidiaries.*
10. *Energy includes San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.) and subsidiaries, including Sual Power Inc. (formerly San Miguel Energy Corporation) and subsidiary, South Premiere Power Corp., San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.), Limay Power Inc. (formerly SMC Consolidated Power Corporation), Malita Power Inc. (formerly San Miguel Consolidated Power Corporation), SMCGP Masinloc Partners Company Limited, SMCGP Masinloc Power Company Limited, Masinloc Power Co. Ltd. (formerly Masinloc Power Partners Co. Ltd.), PowerOne Ventures Energy Inc. and its joint ventures, SMGP BESS Power Inc. (formerly Universal Power Solutions, Inc.), Excellent Energy Resources Inc., and Mariveles Power Generation Corporation.*
11. *Fuel and Oil includes SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries, including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Mema Holdings Inc. and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.*
12. *Infrastructure includes San Miguel Holdings Corp. and subsidiaries, including SMC NAIAX Corporation, Manila North Harbour Port, Inc., Trans Aire Development Holdings Corp., SMC Tplex Holdings Company Inc., Universal LRT Corporation (BVI) Limited, Atlantic Aurum Investments BV and subsidiaries, Wiselink Investment Holdings, Inc., Cypress Tree Capital Investments, Inc. and subsidiaries, San Miguel Aerocity Inc., SMC Mass Rail Transit 7 Inc., and Luzon Clean Water Development Corporation.*

13 *Cement includes San Miguel Equity Investments Inc. and subsidiaries, Northern Cement Corporation, Eagle Cement Corporation and subsidiairies, and Southern Concrete Industries, Inc.*

14. *Other Assets and Investments include San Miguel Properties, Inc. and subsidiaries and associate, Bank of Commerce, SMC Shipping and Lighterage Corporation and subsidiaries, SMC Asia Car Distributors Corp. and subsidiaries, SMC Equivest Corporation, Petrogen Insurance Corp, San Miguel International Limited and subsidiary, SMC Stock Transfer Service Corporation, Archen Technologies Inc., SMITS Inc. and Subsidiaries, and San Miguel Integrated Logistics Services, Inc.*

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
AS OF DECEMBER 31, 2023
(In Millions)

Type of Receivable:	Total	Current	1-30 days	31-60 days	61-90 days	Over 90 days
A. Trade	P23,269	P17,095	P4,851	P511	P198	P614
Less: Allowance	(274)	(61)	(7)	(2)	(2)	(202)
Net Trade Receivable	22,995	17,034	4,844	509	196	412
B. Non-Trade	3,785	975	314	134	153	2,209
Less: Allowance	(911)	(83)	(1)	(2)	(1)	(824)
Net Non-Trade Receivable	2,874	892	313	132	152	1,385
Net Receivables	**P25,869**	**P17,926**	**P5,157**	**P641**	**P348**	**P1,797**

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2023

(Amounts in Millions, except Number of Shares Data)

Name of Issuing Entity/ Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2023	Income (Loss) Received and Accrued
Cash and cash equivalents	-	P57,007	- Not Applicable -	P2,139
Trade and other receivables - net	-	25,869	- Not Applicable -	40
Derivative assets	-	50	- Not Applicable -	2*
Financial Assets at FVOCI **	-	5,628	P5,628	139
Financial Assets at amortized cost **	-	11,500	11,500	870
Noncurrent receivables and deposits - net	-	183	- Not Applicable -	-
		P100,237	**P17,128**	**P3,190**

* This represents net marked-to-market losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as of year-end.

** The number of shares or principal amounts of bonds and notes are presented in ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS.

See Notes 4, 11, 12, 30, 33 and 34 of the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2023
(Amounts in Millions, except Number of Shares Data)

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Valued Based on Market Quotation at December 31, 2023
San Miguel Food and Beverage Inc.		
Club Filipino	1	P -
Makati Sports Club, Inc.	1	1
Philippine Long Distance Telephone Company	325	1
Valle Verde Country Club, Inc.	1	1
Manila Electric Company	14,895	-
San Miguel Foods, Inc.		
Club Filipino	1	-
Manila Southwoods Golf & Country Club	1	5
Orchard Golf & Country Club	1	3
Philippine Long Distance Tel. Co.	5,428	-
Sta. Elena Golf & Country Club	1	23
Tagaytay Highland Golf and Country Club	1	2
Makati Sports Club, Inc.	1	1
Royal Tagaytay Country Club	1	-
Magnolia, Inc.		
Alabang Country Club, Inc.	1	11
The Purefoods-Hormel Company, Inc.		
Capitol Hills Golf and Country Club, Inc.	1	-
San Miguel Corporation		5,537
Neptunia Corporation		
HSBC Holdings	20,400	9
San Miguel Brewery Hong Kong		
The Pacific Club Kowloon	1	8
The American Club Hong Kong	1	10
Hong Kong Football Club	1	7
Discovery Bay Golf Club	1	9
Bank of Commerce	3,500,000,000	3,500
Philippine Commercial Capital, Inc.	8,000,000,000	8,000
Total Financial Assets		**P17,128**

See Notes 4, 11, 12, 30, 33 and 34 of the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC.AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS	AMOUNTS PAID/DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Foods, Inc.	P6	P5	(P5)	P -	P6	P6	P -	P6
The Purefoods-Hormel Company, Inc.	5	6	(5)	-	6	6	-	6
San Miguel Super Coffeemix Co., Inc.	1	2	(2)	-	1	1	-	1
San Miguel Mills, Inc.	-	1	(1)	-	-	-	-	-
Magnolia, Inc.	4	5	(4)	-	5	5	-	5
San Miguel Brewery, Inc. and Subsidiaries	45	73	(25)	-	93	51	42	93
Ginebra San Miguel, Inc. and Subsidiaries	10	14	(13)	-	11	11	-	11
	P71	**P106**	**(P55)**	**P -**	**P122**	**P80**	**P42**	**P122**

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Foods, Inc.	P46	P223	(P177)	P -	P92	P92	P -	P92
The Purefoods-Hormel Company, Inc.	3	3	(3)	-	3	3	-	3
San Miguel Mills, Inc.	1	-	-	-	1	1	-	1
Magnolia, Inc.	1	1	(1)	-	1	1	-	1
San Miguel Brewery, Inc. and Subsidiaries	16	19	(17)	-	18	18	-	18
Ginebra San Miguel, Inc. and Subsidiaries	4	369	(366)	-	7	7	-	7
	P71	**P615**	**(P564)**	**P -**	**P122**	**P122**	**P -**	**P122**

SAN MIGUEL FOOD AND BEVERAGE, INC.AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2023
(Amounts in Millions)

Part A - Goodwill and Other Intangible Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve	Ending Balance
Cost						
Trademarks and brand names	P37,301	P -	P -	P -	(P19)	P37,282
Licenses	2,126	-	-	-	7	2,133
Computer software and licenses	1,346	111	29	-	(1)	1,485
Goodwill	996	-	-	-	-	996
Formulas and recipes and franchise	65	-	-	-	-	65
	41,834	111	29	-	(13)	41,961
Accumulated Amortization						
Computer software and licenses	1,214	-	(1)	52	(1)	1,264
	1,214	-	(1)	52	(1)	1,264
Accumulated Impairment Losses						
Trademarks and brand names	254	-	-	-	(2)	252
Computer software and licenses	5	-	-	-	-	5
	259	-	-	-	(2)	257
Carrying Amount	**P40,361**	**P111**	**P30**	**(P52)**	**(P10)**	**P40,440**

See Note 16 of the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2023
(Amounts in Millions)

Part B - Other Noncurrent Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve/ Fair Value Reserve	Ending Balance
Costs						
Deferred containers	P46,063	P6,948	(P2,259)	P -	P34	P50,786
Noncurrent receivables and deposits	156	2	25	-	-	183
Noncurrent prepaid input tax	644	-	(315)	-	-	329
Pallets and crates	546	253	(5)	(313)	1	482
Idle assets	3,116	-	1,100	-	(76)	4,140
Deposits on land for future development	1,029	313	1,100	-	-	2,442
Noncurrent prepaid rent	60	-	17	-	-	77
Others - net	687	168	(440)	112	(5)	522
	52,301	7,684	(777)	(201)	(46)	58,961
Accumulated Amortization						
Deferred containers	20,510	5,039	(596)	-	(5)	24,948
Idle Assets	1,795	25	613	-	(57)	2,376
	22,305	5,064	17	-	(62)	27,324
Accumulated Impairment:						
Deferred containers	1,091	487	(650)	-	-	928
Idle assets	489	-	(31)	-	(21)	437
	1,580	487	(681)	-	(21)	1,365
Other Noncurrent Assets - net	**P28,416**	**P2,133**	**(P113)**	**(P201)**	**P37**	**P30,272**

See Note 17 of the Consolidated Financial Statement.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

SCHEDULE E – LONG-TERM DEBT

DECEMBER 31, 2023

(Amounts in Millions)

Title of Issue	Agent/Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Non-current Portion of Debt	Non-current Transaction Costs	Amount Shown as Non-current	Current and Long term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Fixed	Philippine Depository & Trust Corp.	P2,539	P2,539	(P1)	P2,538	P -	P -	P -	2,538	6.0%	Bullet	Semi-annual	April 2, 2024
Fixed	Bank of the Philippine Islands	10,000	10000	-	10,000	-	(P17)	(P17)	9,983	4.63%	Bullet	Quarterly	December 26, 2024
Fixed	Banco De Oro Unibank, Inc.	4,000	-	-	-	4,000	(14)	3,986	3,986	3.80%	Bullet	Quarterly	March 30, 2026
Fixed	Bank of the Philippine Islands	2,000	-	-	-	2,000	(7)	1,993	1,993	3.95%	Bullet	Quarterly	March 30, 2026
Fixed	China Banking Corporation	1,500	-	-	-	1,500	(5)	1,495	1,495	3.950%	Bullet	Quarterly	March 30, 2026
Fixed	Rizal Commercial Banking Corporation	2,443	21	(4)	17	2,422	(6)	2,416	2,433	3.88%	Amortized	Quarterly	March 30, 2026
Fixed	Banco De Oro Unibank, Inc.	2,000	-	-	-	2,000	(10)	1,990	1,990	4.15%	Amortized	Quarterly	March 30, 2028
Fixed	Bank of the Philippine Islands	4,000	-	-	-	4,000	(13)	3,987	3,987	4.63%	Bullet	Quarterly	April 1, 2025
Fixed	Bank of the Philippine Islands	3,000	-	-	-	3,000	(15)	2,985	2,985	5.75%	Bullet	Quarterly	April 1, 2027
Fixed	China Banking Corporation	5,000	-	-	-	5,000	(31)	4,969	4,969	6.84%	Bullet	Quarterly	December 20, 2027
Fixed	China Banking Corporation	5,000	-	-	-	5,000	(32)	4,968	4,968	6.53%	Bullet	Quarterly	December 20, 2027
Fixed	RCBC Trust and Investments Division	8,000	-	-	-	P8,000	(27)	7,973	7,973	5.05%	Bullet	Quarterly	March 10, 2025
Fixed	RCBC Trust and Investments Division	7,000	-	-	-	P7,000	(46)	6,954	6,954	5.25%	Bullet	Quarterly	March 10, 2027
Fixed	Bank of the Philippine Island	1,946	53	(3)	50	1,893	(3)	1,890	1,940	3.2837%	28 Quarters	Quarterly	December 18, 2026
Fixed	Bank of the Philippine Island	9,851	149	(1)	148	9,702	(46)	9,656	9,804	3.5483%	28 Quarters	Quarterly	December 12, 2029
Floating	Bank of the Philippine Island	7,881	119	(1)	118	7,762	(38)	7,724	7,842	3-month BVAL plus 0.75% spread or BSP 28-Day TDF rate plus 0.375%, whichever is higher.	28 Quarters	Quarterly	December 12, 2029
Fixed	BDO Unibank, Inc.	5,000	-	-	-	5,000	(20)	4,980	4,980	3.8460%	Buillet	Quarterly	September 30, 2026
Fixed	Bank of the Philippine Island	2,000	-	-	-	2,000	(10)	1,990	1,990	3.8460%	Bullet	Quarterly	September 30, 2026
		P83,160	**P12,881**	**(P10)**	**P12,871**	**P70,279**	**(P340)**	**P69,939**	**P82,810**				

See Notes 20, 27, 33 and 34 of the Consolidated Financial Statements.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2023

Description	Number of Shares Authorized	Number of Shares Issued	Share Swap Transaction	Stock Split	Treasury Shares	Shares Issued and Outstanding	Number of Shares Held: Related Party	Number of Shares Held: Directors and Officers	Number of Shares Held: Others
Common Shares	11,600,000,000	170,874,854	4,242,549,130	1,537,873,686	42,077,580	5,909,220,090	5,245,082,440	150	664,137,500
Preferred Shares	40,000,000	30,000,000	-	-	30,000,000	-	-	-	-
Total	11,640,000,000	200,874,854	4,242,549,130	1,537,873,686	72,077,580	5,909,220,090	5,245,082,440	150	664,137,500

See Notes 21 and 31 of the Consolidated Financial Statements.

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Food and Beverage, Inc. (the Company) as at and for the years ended December 31, 2023 and 2022, on which we have rendered our report dated April 12, 2024.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

JOSE P. JAVIER, JR.
Partner
CPA License No. 0070807
Tax Identification No. 112-071-224
BIR Accreditation No. 08-001987-046-2022
Issued October 17, 2022; valid until October 17, 2025
PTR No. MKT 10075183
Issued January 2, 2024 at Makati City

April 12, 2024
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

ANNEX "B-2"

Reconciliation of Retained Earnings Available for Dividend Declaration
For the reporting period ended December 31, 2023
(Amounts in Thousands)

San Miguel Food and Beverage, Inc.
(A Subsidiary of San Miguel Corporation)
100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City

Unappropriated Retained Earnings, beginning of reporting period		**P2,761,887**
Less: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period		15,954,894
Unappropriated Retained Earnings, as adjusted		**13,193,007**
Add: Net income for the current year		**15,516,475**
Less: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Impairment loss on trademark	P386,000	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	43	
Sub-total		**386,043**
Adjusted Net Income		**15,349,517**
Add: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Impairment loss on Investment	122,000	
Benefit from income tax deferred	97,085	
Sub-total		**219,085**
Total Retained Earnings, end of the reporting period available for dividend		**P2,156,510**

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Food and Beverage, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated April 12, 2024.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS.

The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

R.G. MANABAT & CO.

JOSE P. JAVIER, JR.
Partner
CPA License No. 0070807
Tax Identification No. 112-071-224
BIR Accreditation No. 08-001987-046-2022
Issued October 17, 2022; valid until October 17, 2025
PTR No. MKT 10075183
Issued January 2, 2024 at Makati City

April 12, 2024
Makati City, Metro Manila

ANNEX "B-3"

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
100 E. Rodriguez Jr. Avenue (C5 Road), Ugong Pasig City

FINANCIAL SOUNDNESS INDICATORS

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

KPI	**As of December 31, 2023**	As of December 31, 2022
Liquidity:		
Current Ratio	**1.32**	1.48
Quick Ratio	**0.81**	0.70
Solvency:		
Debt to Equity Ratio	**1.10**	1.13
Asset to Equity Ratio	**2.10**	2.13
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**21.76%**	22.63%
Interest Rate Coverage Ratio	**11.50**	13.94
Return on Assets	**10.96%**	10.88%

	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Operating Efficiency:		
Volume Growth	**0.60%**	6.00%
Revenue Growth	**5.84%**	15.84%
Operating Margin	**12.75%**	13.57%

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

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

* *Excluding cash dividends paid to preferred shareholders*
** *Excluding preferred capital stock and related additional paid-in capital*

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
FOOD AND BEVERAGE BUSINESS							
1	**SAN MIGUEL BREWERY, INC.**						
	A. DOMESTIC						
	Production Facilities						
	Polo	Marulas, Valenzuela City, Metro Manila	Owned	Good			
	San Fernando	Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
	Sta. Rosa	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Building & Facilities-Owned; Land-Rented	Good	P1,791,206.56 subj. to escalation	June 30, 2030	With Option to buy the lot; Rented from Lucky Nine Properties Inc.
					P1,475,370.00 subj. to escalation	November 30, 2030	
					P1,338,663.8 subj. to escalation	August 31, 2038	
	Bacolod	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
	Mandaue	National Highway, Brgy.Tipolo, Mandaue City	Owned	Good			
	Davao	Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Cagayan de Oro	Sta. Ana, Tagoloan, Misamis Oriental	Building & Facilities-Owned; Land-Rented	Good	1,230,428.97	March 25, 2028	The lease may be renewed for a period of 25 years upon such terms and conditions mutually agreed upon by the parties
	Sales/Area Offices and Warehouses						
	Central North Luzon Area	SMC Complex, Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
	Central North Luzon Area	Carmen East, Rosales, Pangasinan	Owned	Good			
	Central North Luzon Area	Caranglaan Dist., Dagupan City, Pangasinan	Owned	Good			
	Central North Luzon Area	Naguilian Road, San Carlos Heights, Brgy. Irisan, Baguio City, Benguet	Owned	Good			
	Central North Luzon Area	Pennsylvania Ave., Brgy. Madayegdeg, San Fernando, La Union	Owned	Good			
	Central North Luzon Area	Brgy. San. Fermin, Cauayan, Isabela	Owned	Good			
	Central North Luzon Area	National Road, Brgy. Mabini, Santiago City, Isabela	Owned	Good			
	Central North Luzon Area	San Andres St., San Angelo Subdivision, Sto. Domingo, Angeles City, Pampanga	Owned	Good			
	Central North Luzon Area	Brgy. 22, San Guillermo, San Nicolas, Ilocos Norte	Owned	Good			
	Central North Luzon Area	Brgy. Tablac, Candon City, Ilocos Sur	Owned	Good			
	Central North Luzon Area	Maharlika Highway, Brgy. Sta Maria, Lal-lo, Cagayan	Owned	Good			
	Central North Luzon Area	Cagayan Valley Rd., Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good			
	Central North Luzon Area	Gapan-Olongapo Rd., Poblacion San Isidro, Nueva Ecija	Owned	Good			
	Central North Luzon Area	Cabanatuan S.O. - No. 140 Duran Compound, Maharlika Highway, Brgy. Bitas, Cabanatuan City	Land & Building-Rented	Good	82,104.58	January 31, 2025	Renewable upon mutual agreement of both parties.
	Central North Luzon Area	Region Office - #578 P. Burgos St. Cabanatuan City, Nueva Ecija	Land & Building-Rented	Good	42,835.20	May 31, 2024	Renewable upon mutual agreement of both parties
	Central North Luzon Area	Barangay Sta. Rita, Guiguinto, Bulacan	Warehouse Parking space - rented	Good	381,389.04	May 31, 2024	Renewable upon mutual agreement of both parties
	Greater Manila Area North	A. Cruz cor S. Asistio St., Brgy. 95, East Grace Park, Caloocan City	Owned	Good			
	Greater Manila Area North	Honorio Lopez Blvd cor Gamban St., Balut, Tondo, Manila	Owned	Good			
	Greater Manila Area North	Brgy. Mangga, Cubao , Quezon City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Greater Manila Area North	portion of Tondo S.O. - Buendia cor. Guidote St., Tondo Manila	Owned	Good			
	Greater Manila Area North	Valenzuela S.O. - Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land, Warehouse and Open Space-Rented	Good	397,567.06	April 30, 2024	Renewable upon mutual agreement of both parties
	Greater Manila Area North	Novaliches S.O. - Quirino Highway, Brgy. Kaligayahan, Novaliches, Quezon City, Metro Manila	Owned	Good			
	Greater Manila Area North	Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City	Warehouse, covered space and open space - Rented	Good	780,995.00	September 30, 2025	Renewable upon mutual agreement of both parties
	Greater Manila Area North	Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City	Warehouse-Rented	Good	252,510.00	November 30, 2025	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Greater Manila Area North	685 Tandang Sora Ave., Quezon City	Warehouse-Rented	Good	163,035.71	May 31, 2024	The Contract is subject to renewal or extension under such terms and conditions as may be mutually agreed upon between the parties in writing.
	Greater Manila Area South	489 Pureza St. corner Lardizabal St., Barangay 425, 489 Pureza, Sta. Mesa, Manila	Owned	Good			
	Greater Manila Area South	M. Carreon St., Brgy. 864, Sta. Ana District, Manila	Owned	Good			
	Greater Manila Area South	Manila East Rd., Brgy. Dolores, Taytay, Rizal	Owned	Good			
	Greater Manila Area South	No. 100 Bernabe Subd., Brgy. San Dionisio, Sucat, Parañaque City, Metro Manila	Owned	Good			
	Greater Manila Area South	Pasig S.O. - Mercedes Ave., Pasig City, Metro Manila	Land & Warehouse-Rented	Good	1,464,433.70	December 31, 2024	Renewable upon mutual agreement of both parties
	Greater Manila Area South	Dr. A. Santos Ave., Bgy. San Dionisio, Parañaque City	Land	Good	886,312.49	November 30, 2024	Renewable upon mutual agreement of both parties
	South Luzon Area	Silangan Exit, Canlubang, Calamba City, Laguna	Owned	Good			
	South Luzon Area	Maharlika Highway, Brgy. Isabang, Lucena City, Quezon	Owned	Good			
	South Luzon Area	Maharlika Highway, Brgy. Villa Bota, Gumaca, Quezon	Owned	Good			
	South Luzon Area	Maharlika Highway, Brgy. Concepcion Grande Pequeña, Naga City, Camarines Sur	Owned	Good			
	South Luzon Area	Brgy. Mandaragat, Puerto Princesa City, Palawan	Owned	Good			
	South Luzon Area	Aurora Quezon and Calderron St., Brgy. Labangan, San Jose, Occidental Mindoro	Owned	Good			
	South Luzon Area	National Rd., Brgy. Balagtas, Batangas City, Batangas	Owned	Good			
	South Luzon Area	Ayala Highway, Brgy. Balintawak, Lipa City, Batangas	Owned	Good			
	South Luzon Area	Bgy. Pinamarbuhan, Mobo, Masbate	Land, Warehouse and Open Space-Rented	Good	204,899.63	March 31, 2026	Renewable upon mutual agreement of both parties
	South Luzon Area	Legazpi S.O. - Tahao Street, Bgy. Gogon, Legaspi City, Bicol	Warehouse, Office & Open Space-Rented	Good	314,067.60	December 31, 2023	Renewable upon mutual agreement of both parties
	South Luzon Area	Dasmarinas S.O. - Brgy. Langkaan II, Governors Drive, Dasmarinas, Cavite	Warehouse-Rented	Good	501,187.50	January 31, 2024	Renewable upon mutual agreement of both parties
	South Luzon Area	Warehouse No. 5, 7 and 8, The Warehouse Malagasang II-C, City of Imus, Cavite	Warehouse-Rented	Good	793,990.20	April 30, 2026	Renewable upon mutual agreement of both parties
	South Luzon Area	Bulan S.O. -Sitio Pawa, Brgy. Lajong, Bulan, Sorsogon	Warehouse-Rented	Good	125,812.50	October 31, 2025	Renewable upon mutual agreement of both parties
	South Luzon Area	Pila S.O. - Brgy. Bulilan Norte, National Highway, Pila, Laguna	Warehouse-Rented	Good	267,857.14	September 30, 2024	Renewable upon mutual agreement of both parties
	Negros	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
	Negros	Muelle Loney St., Brgy. Legaspi, Iloilo City	Owned	Good			
	Negros	National Hi-way, Brgy. 4, Himamaylan City, Negros Occidental	Owned	Good			
	Negros	Flores St., Brgy. Sum-Ag, Bacolod City, Negros Occidental	Owned	Good			
	Negros	Brgy Camanci Norte, Numancia, Aklan	Owned	Good			
	Negros	Brgy. Libas, Roxas City, Capiz	Owned	Good			
	Negros	Dumaguete Region Office - Brgy. Pulang Tubig, Dumaguete City	Land & Land Improvement-Rented	Good	77,510.16	December 31, 2024	Renewable at the option of the lessee
	Negros	West Rovira Road, Pulantubig, Dumaguete City	Warehouse-Rented	Good	120,393.00	December 31, 2023	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Negros	Brgy. Pagduque, Dumangas, Iloilo	Warehouse-Rented	Good	377,348.71	June 15, 2024	Renewable upon mutual agreement of both parties
	Negros	Meliza St. Brgy. Zamora, Iloilo City	Region Office	Good	57,540.69	December 31, 2024	Renewable upon mutual agreement of both parties
	Visayas	National Highway, Brgy. Tipolo, Mandaue City	Owned	Good			
	Visayas	Brgy. Mercedes, Diversion Road, Catbalogan City, Samar	Warehouse & Open Space-Rented	Good	96,600.00	November 30, 2031	Renewable upon mutual agreement of both parties

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Visayas	Brgy. Mercedes, Diversion Road, Catbalogan City, Samar	Warehouse, Office Space & Open Space-Rented	Good	196,350.00	November 30, 2031	Renewable upon mutual agreement of both parties
Visayas	Tagbilaran S.O. - Tomas Cloma Ave., Taloto District, Tagbilaran City, Bohol	Warehouse-Rented	Good	160,714.29	October 31, 2024	Renewable upon mutual agreement of both parties
Visayas	Fatima Village, Tacloban City, Leyte	Portion of Land-Rented/Portion of Land-Owned	Good	280,447.36	May 31, 2024	Renewable upon mutual agreement of both parties
Mindanao	Brgy. Darong Sta. Cruz, Davao del Sur	Owned	Good			
Mindanao	National Highway, Bgy. Ulas, Talomo, Davao City	Land & Land Improvements-Rented/Building-Owned	Good	82,764.00	December 31, 2023	Renewable upon mutual agreement of both parties
Mindanao	National Highway, Brgy. Magugpo, Tagum City	Owned	Good			
Mindanao	Sergio Osmeña, Brgy. Poblacion, Koronadal City	Owned	Good			
Mindanao	National Highway, Brgy. Lagao, Gen. Santos City	Owned	Good			
Mindanao	National Highway, Brgy. Luyong Bonbon, Opol, Misamis Oriental	Owned	Good			
Mindanao	R.T. Lim Blvd., Baliwasan, Zamboanga City	Owned	Good			
Mindanao	Brgy. Bongtod, Tandag City, Surigao del Sur	Owned	Good			
Mindanao	J.P. Rizal Ave., Poblacion, Digos City	Owned	Good			
Mindanao	R. Calo St., Fort Poyohan, Butuan City	Owned	Good			
Mindanao	Montilla Boulevard, Villa Kananga, Butuan City	Warehouse Facilities and Office-Rented	Good	468,750.00	September 30, 2026	Renewable upon mutual agreement of both parties
Mindanao	Brgy. Aguada, Ozamiz City	Building-Rented	Good	127,145.53	August 31, 2032	Renewable upon mutual agreement of both parties
Mindanao	Liloy S.O. - Baybay, Liloy, Zamboanga del Norte	Warehouse-Rented	Good	75,892.86	September 30, 2024	Renewable upon mutual agreement of both parties
Mindanao	Dipolog S.O. - Sta. Filomena, Dipolog City	Warehouse-Rented	Good	50,892.86	September 30, 2025	Renewable upon mutual agreement of both parties
Terminal						
Bataan Malt Terminal (land, building, machineries & equipment, furnitures & fixtures)	Mariveles, Bataan	Building & Facilities-Owned; Land-Rented	Good	661,029.65	April 30, 2025	Renewable upon mutual agreement of both parties
Investment Properties	Brgy. Estefania, Bacolod City (9 lots)	Owned	Good			

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	No. 31 Rosario St., Brgy. Granada, Bacolod City	Owned	Good			
	Brgy. Penabatan, Pulilan, Bulacan	Owned	Good			
	L26 B11, Brgy. Sto.Domingo, Sta.Rosa, Laguna	Owned	Good			
	Jaro, Iloilo (2 lots)	Owned	Good			
	Barrio of Tinajeros, Malabon City (2 lots)	Owned	Good			
	Bo. of San Jose and Poblacion Cabanatuan City (3 lots)	Owned	Good			
	Barrio of Mallorca,San Leonardo.Nueva Ecija (2 lots)	Owned	Good			
	Poblacion,San Leonardo,Nueva Ecija	Owned	Good			
	Lot 5009 Imus Estate,Imus Cavite	Owned	Good			
	Imus Friar,Imus, Prov. of Cavite (2 lots)	Owned	Good			
	Lot 5159 Poblacion, Imus Prov. Of Cavite	Owned	Good			
	Barrio of San Rafael & San Roque (2 lots)	Owned	Good			
	Bo. Of Pob. 2nd Municipality of Tarlac (2 lots)	Owned	Good			
	71-B-3-B-4 Barrio Suizo Municipality of Tarlac	Owned	Good			
	Bgy. Paringao, Municipality of Bauang, La Union	Owned	Good			
	Bo. Mabilao, San Fabian, Pangasinan (5 lots)	Owned	Good			
	Brgy. Gabut Norte, Badoc, Ilocos Norte	Owned	Good			
	Pozorrubio, Pangasinan	Owned	Good			
Head Office						
Office Space	40 San Miguel Ave., Mandaluyong City	Rented	Good	3,696,062.52	December 31, 2023	
B. INTERNATIONAL						
Breweries						
San Miguel Beer (Thailand) Ltd.	89 Moo2, Tiwanon Rd., Baan Mai, Muang , Pathumtani 12000, Thailand	Owned	Good			
PT Delta Djakarta Tbk	Jalan Inspeksi Tarum Barat Desa Setia Darma Tambun Bekasi Timur 17510, Indonesia	Building Owned. Land under Land Use Rights	Good		Various parcels of land. September 2027, November 2028, March 2039	For renewal two years before the expiry date.
San Miguel Brewery Hong Kong Limited	22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	Building-Owned; Land-Rented	Good	HKD 220,800.00	2047	No renewal options
San Miguel (Guangdong) Brewery Co.,Ltd	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Owned	Good	Land price paid upfront. Annual land-use right tax RMB341K	May 01, 2053	Renewal 1 month before expiration date
San Miguel (Baoding) Brewery Co. Ltd.	Shengli Street, Tianwei West Road, Baoding City, Hebei Province, China	Owned	Good			
San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh , Khanh Hoa	Owned	Good			
Sales/Area Offices and Warehouses						
San Miguel Brewery Hong Kong Limited	9th Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong	Land-Rented	Good	HKD 40,600.00	2047	No renewal options
San Miguel Brewery Hong Kong Limited	San Miguel Industrial Building, No. 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hongkong	Land-Rented	Good	HKD 19,374.00	2047	No renewal options

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
San Miguel (Guangdong) Brewery Co.,Ltd	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Owned	Good	Land price paid upfront. Annual land-use right tax RMB341k.	May 01, 2053	Renewal 1 month before expiration date.
Guangzhou Admin Office	Room 1801, No.19 South East Road, Yuexiu District, Guangzhou,	Office Space-Rented	Good	RMB11,571.00	June 25, 2024	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed
Shenzhen Sales Office	Room 319, 3rd Floor, Liangji Zhihui Building, No. 184 Qingquan Road, Longhua Street, Longhua District, Shenzhen	Office Space-Rented	Good	RMB 5,180.00	October 31, 2025	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
Zhongshan Sales Office	Qijiang Road,Shaxi District, Zhongshan City, China	Office Space-Rented	Good	RMB 1,500.00	November 29, 2023	At the end of contract ,in the same condition, We have the priority right of renewal, lease and rent will be discussed by both parties .
Zhang Haoning	Room 2201, Block 3, Zone 1, No. 26 Kerun Road, Chancheng District, Foshan City, Guangdong Province, China	dormitory-Rented	Good	RMB 5,400.00	November 30, 2024	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
San Remo Taiwan (SRT)						
Taipei Office	3F-3, No.167, Fusing N. Rd., Taipei, Taiwan (ROC)	Leased	Good	143,800.00	April 15, 2025	At the end of contract , lease and rent will be discussed by both parties .
Taichung Office	No.159, Shuwang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	Leased	Good	39,000.00	December 31, 2023	At the end of contract , lease and rent will be discussed by both parties .
Kaohsiung Office	No.305-6, Renlin Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.)	Leased	Good	76,000.00	April 30, 2025	At the end of contract , lease and rent will be discussed by both parties .
North Region Warehouse	No. 34-88, Dahu Rd., Guishan Dist., Taoyuan City 333, Taiwan (R.O.C.)	Leased	Good	Depends on how much space we use.	March 31, 2024	Extend agreement 1 year automatically if no expression of intent from both parties
San Miguel China Investment Company Limited	Rooms 1213 and 1218, 12F, No. 1 Building, No. 12 Nongzhanguan South Road, Chaoyang District, Beijing China 100026	Office Space-Rented	Good	RMB 13,654.00	September 30, 2024	Renewable upon mutual agreement of both parties
San Miguel (China) Investment Co. Ltd.	1-7A, 1-11A, 1-12A, 1-9C, 1-7C Parkview Tower Chaoyang District Beijing 100027, China	Owned	Good			
San Miguel Baoding Brewery Company Limited						
San Miguel Baoding Brewery Company Limited	Shengli Street, Tianwei West Road, Baoding City ,Hebei Province, China	Land-Rented	Good	Entire rent paid at the start of lease term	June 01, 2046	Renewable upon mutual agreement of both parties
San Miguel Baoding Brewery Company Limited	1-1-2601, Zhengyulvgu, Chaoyang North Street, Baoding City , Hebei Province, China	Office Space-Rented	Good	RMB 3,406.17	March 06, 2024	Renewable upon mutual agreement of both parties
San Miguel Marketing Thailand Limited						
North sales office	North Office 403/5 Lumpoon Road, Wadked , Amphor Muang , Lumpoon	Office Space-Rented	Good	THB 16,000.00	December 31, 2023	Renewable upon mutual agreement of both parties
South sales office (Phuket)	14/4 Moo 4 , Tambon Wichit Amphor Muang, Phuket	Office Space-Rented	Good	THB 23,157.9	December 31, 2023	Renewable upon mutual agreement of both parties
South sales office (Samui)	44/38 Moo 1 Tambon Maenam,Amphur Koh Samui Suratthani	Office Space-Rented	Good	THB 21,052.63	December 31, 2023	Renewable upon mutual agreement of both parties
Northeast sales office	44/50 Moo 3 Chataphadung Rd, Thumbon Naimuang, Amphur Muang Khonkean	Office Space-Rented	Good	THB 11,578.95	December 31, 2023	Renewable upon mutual agreement of both parties
Pattaya sales office	263/91 Moo 12 Tambon Nongprue Banglamung Chonburi	Office Space-Rented	Good	THB 25,263.16	December 31, 2023	Renewable upon mutual agreement of both parties

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	San Miguel Brewery Vietnam Company Limited						
	San Miguel Brewery Vietnam Ltd.	Quoc Lo 1A, Suoi Hiep , Dien Khanh, Khanh Hoa	Land-Rented	Good	VND 44,185,733.00	November 12, 2024	Renewable upon mutual agreement of both parties
	Ho Chi Minh Sales Office	180 Nguyen Van Troi Street, Ward 8, Phu Nhuan Dist, HCM City	Leased	Good	USD 8,774.70	March 31, 2025	Renewable upon mutual agreement of both parties
	Da Nang Sales Office	180 2/9 Street, Da Nang City, Vietnam	Leased	Good	VND 28,000,000	October 05, 2026	Renewable upon mutual agreement of both parties
	Nha Trang Sales Office	60 D Tran Nhat Duat Phuoc Hoa Nha Trang	Leased	Good	VND 26,000,000	March 31, 2026	Renewable upon mutual agreement of both parties
	Vung Tau Sale Office	80 Huyen Trang Cong Chua Ward 8, Vung Tau	Leased	Good	VND 7,700,000	June 30, 2025	Renewable upon mutual agreement of both parties
	Ho Chi Minh Warehouse	A75 Bach Dang Ward 2 Tan Binh District, TP.HCM, Vietnam	Leased	Fair	USD 1,280.00 + VND 4,000,000	May 09, 2025	Renewable upon mutual agreement of both parties
	Da Nang Warehouse	3rd Floor, 184 Tran Phu, Phuoc Ninh Ward, Hai Chau District, Danang	Leased	Fair	VND 8,500,000.00	April 24, 2025	Renewable upon mutual agreement of both parties
	Apartment for Mr. Ricky Pulido	1/18 Nguyen Van Mai, Ward 4, Tan Binh District, HCMC Lease Location: Apartment Room No. 403 (4th floor)	Leased	Good	VND 15,500,000	August 18, 2024	Renewable upon mutual agreement of both parties
	Apartment for Mr. Stanley Malvar	305C/12 Nguyen Van Troi, Ward 01, Tan Binh District, TP.HCM, Vietnam	Leased	Good	USD 720	April 30, 2024	Renewable upon mutual agreement of both parties
	Apartment for Mr. Kenneth Racoma	Room 3846-Muong Thanh	Leased	Good	VND 7,000,000	April 12, 2024	Renewable upon mutual agreement of both parties
2	**GINEBRA SAN MIGUEL, INC.**						
	A. HEAD OFFICE						
	GSMI Office Space	3rd and 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Owned	Good			
	GSMI Office Space	5th Floor SMPC Bldg., St Francis Ave., Ortigas Center, Mandaluyong City	Rented	Good	P1,134,194.28 (VAT-EX)	August 31, 2024	Renewable upon mutual agreement of both parties
	B. NORTH LUZON						
	Plants						
	GSMI Sta. Barbara Plant (Land and Facilities)	Tebag West, Sta. Barbara, Pangasinan	Owned	Good			
	EPSBPI Cauayan Plant (Land and Facilities)	San Fermin, Cauayan, Isabela	Owned	Good			
	Warehouse/Sales Office						
	GSMI Cauayan Sales Office	327 Prenza Highway, San Fermin, Cauayan Isabela	Owned	Good	P492,500.00 (VAT-EX)	August 31, 2024	Renewable upon mutual agreement of both parties
	GSMI Pua Warehouse 1	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	P488,748.00 (April 01, 2023 to June 30, 2023) P193,868.00 (July 01, 2023 to December 31, 2023) VAT-EX	December 31, 2023	Renewable upon mutual agreement of both parties
	GSMI La Union Sales Office - Bauang	Disso-or Bauang La Union	Rented	Good	P36,000.00 (VAT-EX)	October 31, 2024	Renewable upon mutual agreement of both parties
	GSMI San Fernando Sales Office	#162 Baliti 2000 City of San Fernando Pampanga	Rented	Good	P475,000.00 (VAT-EX)	December 31, 2024	Renewable upon mutual agreement of both parties
	GSMI Lunec Warehouse 1	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	P256,000.00 (VAT-EX)	January 31, 2024	Short Term Lease Only
	GSMI Lunec Warehouse 2	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	P366,240.00 (VAT-EX)	February 15, 2024	Short Term Lease Only

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	GSMI Lunec Warehouse 3	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	P366,240.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
	GSMI Lunec Warehouse 4	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	P366,240.00 (VAT-EX)	February 29, 2024	Short Term Lease Only

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Pua Warehouse 2	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	P194,940.00 (VAT-EX)	February 15, 2024	Short Term Lease Only
	Pua Warehouse 3	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	P99,940.00 (VAT-EX)	February 15, 2024	Short Term Lease Only
	Depot						
	GSMI Alcohol Depots #1 and #2	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Owned (Internal Lessor)	Good	P599,107.14 (VAT-EX)	October 31, 2024	Renewable upon mutual agreement of both parties
	Land						
	GSMI Lingayen Property	Libsong East, Lingayen, Pangasinan	Owned	Good			
	GSMI Olongapo Property	Sta. Rita, Olongapo City, Zambales	Owned	Good			
	GSMI Minien West Sta. Barbara Property	Minien West, Sta. Barbara, Pangasinan	Owned	Good			
	GMSI Maticmatic Sta. Barbara Property	Maticmatic, Sta. Barbara, Pangasinan	Owned	Good			
	EPSBPI San Fermin Cauyan Isabela (TCT No.035-20230016340)	San Fermin, Cauyan, Isabela	Owned	Good			
	EPSBPI San Fermin Cauyan Isabela (TCT No.035-	San Fermin, Cauyan, Isabela	Owned	Good			
	C. GMA						
	Land						
	GSMI Pandacan Sales Office_Land	631 Tomas Claudio St. Zone 93 Barangay 865 1011 Pandacan NCR, City of Manila, First District Philippines	Owned (Internal Lessor)	Good	P344,172.00 (VAT-EX)	July 31, 2026	Either Party may serve a written request on the other Party for the renewal within ninety (90) days prior to the expiration of the Lease Period, provided that the Party, upon whom such notice is served, shall not be obliged to agree to the renewal of the lease
	Warehouse/Sales Office						
	GSMI Pandacan Sales Office_Facility	631 Tomas Claudio St. Zone 93 Barangay 865 1011 Pandacan NCR, City of Manila, First District Philippines	Owned (Internal Lessor)	Good	P305,134.50 (VAT-EX)	July 31, 2026	Renewable upon mutual agreement of both parties
	GSMI Sucat Parañaque Sales Office	#8380 Dr. A. Santos Avenue, BF Homes, Parañaque City	Owned (Internal Lessor)	Good	P296,595.71 (May 01, 2023 to April 30, 2024) P305,493.58 (May 01, 2024 to April 30, 2025) P314,658.39 (May 01, 2025 to April 30, 2026) VAT-EX	April 30, 2026	Renewable upon mutual agreement of both parties
	D. SOUTH LUZON						
	Plants						
	GSMI Lucena Plant (Land and Facilities)	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Needs Renovation			
	EPSBPI Ligao Plant (Land and Facilities)	Km 503, Hacienda Mitra, Paulog, Ligao City, Albay	Owned	Good			
	GSMI Cabuyao Plant (Land and Facilities)	Silangan Industrial Estate, Brgy. Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good			
	Warehouse/Sales Office						
	GSMI Ligao Sales Office	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Owned	Good	P434,160.00 (VAT-EX)	December 31, 2025	Renewable upon mutual agreement of both parties
	EPSBPI Warehouse Extension	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Owned	Good			
	GSMI Lucena Sales Office	Sales Office Building National Rd. Gulang-Gulang 4301 Lucena City (Capital) Quezon Philippines	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	GSMI Legazpi Warehouse 1	Barangay 42, Rawiz Legazpi City	Rented	Good	P225,000.00 (VAT-EX)	June 30, 2024	Renewable upon mutual agreement of both parties
	GSMI Pagsanjan Sales Office	Sitio Ilaya Sabang 4008 Pagsanjan Laguna	Rented	Good	P37,800.00 (VAT-EX)	November 19, 2024	Renewable upon mutual agreement of both parties

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Tabaco Warehouse 1	Brgy. San Carlos, Tabaco City, Albay	Rented	Good	P252,000.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
Tabaco Warehouse 2	Encinas Compound, Brgy. Pawa, Tabaco City, Albay	Rented	Good	P200,000.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
Calamba Warehouse 1	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	P311,040.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
Calamba Warehouse 2	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	P427,680.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
Calamba Warehouse 3	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	P388,800.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
Calamba Warehouse 4	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	P388,800.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
Calamba Warehouse 5	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	P294,840.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
Calamba Warehouse 6	Km#52 Bo. Lawa, Calamba, Laguna	Rented	Good	P294,840.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
Depot						
GSMI Cotta Depot	Francisco Ferdinand St., Teacher's Village, Bgy. Cotta, Lucena City	Owned	Good			
GSMI Tabangao Depot (Land and Tanks)	Bgy. Tabangao, Aplaya, Batangas City	Owned (Internal Lessor) - Land / Owned - Tanks	Good	P71,420.74 (VAT EX) 2023 P78,562.82 (VAT EX) 2024	December 31, 2024	Renewable upon mutual agreement of both parties
GSMI Bauan Depot	San Pedro 4201 Bauan Batangas Philippines	Owned	Good			
E. VISAYAS						
Plants						
GSMI Mandaue Plant (Land and Facilities)	Subangdaku, Mandaue City, Cebu	Owned	Good			
DBI Alcohol Distillery (Land and Facilities)	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
DBI Deepwell Sites (Land and Facilities)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
Warehouse/Sales Office						
GSMI Bago City Sales Office	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
Distileria Bago, Inc. (Aged Alcohol Warehousing and Management)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
GSMI Tacloban Sales Office	Purok 1 Brgy. 91 Maharlika Highway, Abucay Tacloban City	Rented	Good	P33,928.57 (VAT-EX)	October 31, 2024	Renewable upon mutual agreement of both parties
GSMI Iloilo Sales Office	Brgy. Quintin Salas, Jaro, Iloilo City	Rented	Good	P58,500.00 (VAT-EX)	January 31, 2025	Renewable upon mutual agreement of both parties
GSMI Nothern Samar Sales Office	Sitio Cabicalan Londres Allen, Northern Samar	Rented	Good	P50,000.00 (VAT-EX)	August 31, 2024	Renewable upon mutual agreement of both parties
GSMI Goldmark Warehouse	T. Villa St. T. Padilla., Cebu City	Rented	Good	P499,200.00 (VAT-EX)	April 30, 2024	Renewable upon mutual agreement of both parties
GSMI Lapu-lapu Warehouse	Firecrash, Bangkal, Lapu-lapu City	Rented	Good	P500,000.00 (VAT-EX)	February 29, 2024	Short Term Lease Only
GSMI Mandaue Warehouse	P. Sanchez St., Brgy. Pagsabungan, Mandaue City	Rented	Good	P613,200.00 (VAT-EX)	March 31, 2024	Short Term Lease Only
Depot						

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	GSMI Ouano Alcohol Depot (Tank)	Ouano, Mandaue City	Owned	Good			
	Land						
	DBI Relocation Site	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
	DBI (160sq.m new acquisition)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	GSMI Bago Plant (Land)	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
	GSMI Looc Land (Depot)	Mandaue Port, J. Cenniza St., Looc Mandaue City	Owned (Internal Lessor)	Good	P102,077.00 (VAT-EX) - 2023 P107,180.85 (VAT- EX) - 2024 P112,539.89 (VAT-EX) - 2025	December 31, 2025	Renewable upon mutual agreement of both parties
	F. MINDANAO						
	Warehouse/Sales Office						
	GSMI Davao Warehouse and Sales Office	Brgy. Talomo, Ulas, Davao City	Owned (Internal Lessor)		P54,450.00 (June 01, 2023 to May 31, 2024) P59,895.00 (June 01, 2024 to May 31, 2025) VAT-EX	May 31, 2025	Renewable upon mutual agreement of both parties
	GSMI Pagadian Sales Office	2nd flr., Nesoricom Prime Arcade, National Highway, Tiguma, Pagadian City	Rented	Good	P17,894.74 (VAT-EX)	November 30, 2024	Renewable upon mutual agreement of both parties
	GSMI Cagayan de Oro Sales Office	Limac Warehouse Diversion Road Bulua Zone 8 9000 Cagayan De Oro City	Rented	Good	P115,416.00 (May 01, 2023 to April 30, 2024) VAT-EX	April 30, 2024	Renewable upon mutual agreement of both parties
	GSMI Davao Warehouse	SMC Compound, Ulas, Talomo District, Davao City	Owned (Internal Lessor)	Good	Payment to SMILSI is based on the ff: 21 Php/pallet per day 4 Php/case for Inbound 4 Php/case for Outbound P292,733.33 (VAT-EX) - Based on PO Amount	February 29, 2024	Short Term Lease Only

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
3	**FOOD GROUP**						
Admin Office/Sales Office							
	Pasig Office - San Miguel Food and Beverage, Inc. (SMFB)	17F, 18F, 21F, 22F, 23F JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	Iloilo Office - San Miguel Foods, Inc. (SMFI) - Agro Industrial Cluster (AIC); Feeds, Poultry	Melliza St., Iloilo City	Owned	Good			
	Davao Region Office (SMFI - AIC)	2F, MPPP DavSur 2, Sitio Rambutan, Brgy. Darong, Sta.Cruz, Davao del Sur	Owned	Good			
Admin Office and Feedmill/Processing Plant/Product Development Laboratory/Warehouse							
	Cavite Admin Office, Magnolia Plant & Depots - Magnolia Inc. (Magnolia)	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
	Depok Office - PT San Miguel Foods Indonesia (PTSMFI)	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Depok, Indonesia	Owned	Good			
	Tarlac Office, Feedmill and Warehouse - SMFI - Feeds	Luisita Industrial Park, San Miguel,Tarlac City	Owned	Good			
	Bataan Feedmills and Warehouse - SMFI - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan City	Owned	Good			
	Pasig Office and Product Development Laboratory - SMFI -Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Owned	Good			
	Bacolod Warehouse - San Miguel Mills, Inc. (SMMI)	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
	Isabela Feedmill and Warehouse - SMFI - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
	Bulacan Feedmill and Warehouse (San Ildefonso) - SMFI - Feeds	Brgy. Malipampang, San Ildefonso, Bulacan	Owned	Good			
	Pangasinan Feedmill, Office and Laboratory - SMFI - Feeds	Brgy. Bued, Binalonan, Pangasinan City	Owned	Good			
	Admin Office & MPPP- SMFI - Poultry	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
	Marikina Processed Meats Plant (used as warehouse) - Purefoods-Hormel	JP Rizal St., Bo. San Roque, Marikina City	Owned	Good			
	Camarines Sur Office - SMFI - AIC; Office, Quality Assurance Office, Cold Storage and Holding Room , MPPP-SMFI - Poultry; and Cold Storage - SMFI - Meats	Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur	Owned	Good			
	Isabela Sales Office & BMEG Isabela Plant - SMFI - Poultry	Soyung, Echague, Isabela	Owned	Good			
	General Santos Office and Vetmed Hub- SMFI - Poultry	Bo. Makar, Calumpang, Gen. Santos City	Owned	Good			
Depot							
	Cagayan De Oro Building (Magnolia)	Victorian Freight Express Corp, Brgy. Cugman, Cagayan De Oro City	Owned	Good			
Farm/Hatchery							
	Isabela Cattle Farm - SMFI - Meats	3305 San Luis, Cauayan, Isabela City	Owned	Good			
	Calamba Hatchery - SMFI - Poultry	Brgy Licheria, Calamba City	Owned	Good			
	Bataan Farm - SMFI - Poultry	Brgy. General Lim, Orion, Bataan City	Owned	Good			
	Bukidnon Hatchery - SMFI - Poultry	Kapitan Bayong, Impasug-ong, Bukidnon City	Owned	Good			
	Laguna Cattle Farm & R&D - SMFI - Meats; Office - SMFI - AIC	Brgy. Mabacan, Calauan, Laguna	Owned	Good			
	CamSur MPH - SMFI - Poultry; SMFI - AIC	Brgy. San Juan, Baao, Camarines Sur	Owned	Good			
	Magnolia Poultry Farm DavSur - SMFI - Poultry	Brgy Hagonoy Crossing, Hagonoy, Davao Del Sur	Owned	Good			
Flourmill/Feedmill and Warehouse							

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Iloilo Feedmill - SMFI - Feeds	Brgy. Gua-an, Leganes, Iloilo	Owned	Good			
Mabini Flourmills - San Miguel Mills, Inc. (SMMI)	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
Tabangao Flourmill - SMMI	Brgy. Tabangao, Batangas City	Owned	Good			
Bukidnon Feedmill - SMFI - Feeds	Impalutao,Impasug-ong,Bukidnon City	Owned	Good			
Davao Feedmill & Warehouse - SMFI - Feeds	Sitio Landing, Brgy. Darong , Sta. Cruz, Davao Del Sur	Owned	Good			
Pavia Iloilo Feedmill - SMFI - Feeds	Brgy. Mali-ao Pavia, Iloilo	Owned	Good			
Ormoc Feedmill - SMFI - Feeds	Brgy, Macabug, Ormoc City	Owned	Good			
Misamis Oriental Feedmill & Warehouse- SMFI - Feeds	Brgy Gracia, Sitio Kivulda, Phividec, Tagoloan, Misamis Oriental	Owned	Good			
Mandaue Feedmill - SMFI - Feeds	JL Ceniza St., Brgy Looc, Mandaue City	Owned	Good			
General Santos Feedmill - SMFI - Feeds	San Miguel Purefoods Compound, Rivera St., Calumpang, General Santos City	Owned	Good			
Grain Terminal						
Mabini Bulk Grain Handling Terminal - Golden Bay Grain Terminal Corporation (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
Land						
Mabini Land (Flourmill) - SMFB	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
Pasig Land - Golden Avenue Corp. (GAC)	San Miguel Ave., Corner Tektite Road, Pasig City	Owned	Good			
Bulacan Land - SMFI Feeds	Malipampang, San Ildefonso, Bulacan	Owned	Good			
Bacolod Land - SMMI	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
Isabela Land - SMFI - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
Iloilo Land - SMFI - Feeds	Brgy. Gua-an. Leganes, Iloilo	Owned	Good			
Davao Land - SMFI - Feeds	Darong, Sta. Cruz, Davao	Owned	Good			
Catbalogan Property (Land & Building) - SMFI - SMIS	Brgy. 048 Payao, Catbalogan City, Samar	Owned	Good			
Cavite Land (Magnolia)	Lot 1-E of Subdivision Plan (LRA), PSD-417836, Brgy. San Francisco, General Trias, Cavite	Owned	Good			
Processing Plant						
Binh Duong Processing Plant - San Miguel Pure Foods (VN) Co., Ltd. (SMPFVN)	An Tay, Ben Cat, Binh Duong, Vietnam	Owned	Good			
Cavite Processed Meats Plants - The Purefoods-Hormel Company, Inc. (Purefoods-Hormel)	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
Davao Processing Plant 2- SMFI - Poultry	Sitio Rambutan, Brgy. Darong, Sta.Cruz, Davao del Sur	Owned	Good			
Cavite Fresh Meat Processing Plant - SMFI - Meats	Governor's Drive Bo. Langkaan 1, Dasmarinas Cavite City	Owned	Good			
Laguna Ice Cream Plant - Golden Food Management, Inc. (GFMI)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
San Fernando Processing Plant-SMFI Feeds	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good			
MPPP Pagbilao - SMFI - Poultry	Pagbilao, Quezon	Owned	Good			
Processing Plant and Cold Storage						
Mandaue Poultry Processing Plant and Cold Storage - SMFI - Poultry	Riverside, Canduman, Mandaue City	Owned	Good			
Warehouse						
Sta. Rosa Warehouse - SMFI - SMIS	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa City, Laguna	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	B. RENTED						
Admin Office							
	Mandaluyong Office - San Miguel Food and Beverage, Inc. (SMFB)	40 San Miguel Ave., Mandaluyong City	Rented	Good	55,556.19	30-Jun-2024	Renewable upon mutual agreement of both parties
	Davao Office - SMFI- AIC	3rd Floor Alpha Bldg., Lanang Business Park, Lanang, Davao	Rented	Good	321,599.60	31-Dec-2023	Preterminated the contract from Aug 31, 2025

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Ho Chi Minh Office - SMPFVN	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City, Vietnam	Rented	Good	VND 38,646,597.17/ PHP 90,560	31-Jul-2025	Renewable every 5 years
Cebu Office - SMFI - AIC	5th and 6th Flr., Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	178,200.00	30-Jun-2023	Renewable every 3 years
Cebu Office - SMFI - Great Food Solutions (GFS), SMFI - Poultry and SMFI - SMIS	5th Floor Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	29,700.00 (GFS) 59,400.00 (Poultry) 59,400 (SMIS)	30-Jun-2023	Renewable upon mutual agreement of both parties
Zamboanga Office - SMFI - AIC	Don Alfonso Marquez Subd., MCLL Highway Tetuan Zamboanga City	Rented	Good	31,408.46	31-Dec-2025	Renewable every 3 years
Bukidnon Office - SMFI - AIC	Propia St. , Malaybalay, Bukidnon	Rented	Good	147,321.43	31-Jan-2025	Renewable every 2 years
Cagayan de Oro Office - SMFI - AIC	Masterson Avenue Zone 13, Carmen, Cagayan de Oro	Rented	Good	408,727.23	30-Jun-2024	Renewable every year
Dumaguete Office - SMFI - AIC	Unit 1-C, JC Building, Ipil Road, Brgy. Daro, Dumaguete City	Rented	Good	34,186.12	30-Oct-2024	Renewable every 5 years
Bacolod Office - SMFI - AIC	NFCC Cybercentre Complex, Lacson Cr. Hernaez St., Bacolod City	Rented	Good	345,150.00	31-Dec-2023	1 year (under TACIT RENEWAL until new rate is approved by Negros Sanguniang Panlalawigan)
C5 Pasig Office - SMFB, SMFI, Purefoods, Magnolia, Coffee, SMMI	100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City	Rented	Good	Jan-Jun: 8,884,719.23; Jul Dec: 9,151,260.81	16-Jun-2024	Renewable upon mutual agreement of both parties
Tacloban Office - SMFI - AIC	Unit 12, 2nd Floor Bldg. B, Metrobank Center, Juan Luna St., Brgy. Poblacion, Palo, Leyte	Rented	Good	53204,45	21-Oct-2028	Renewable every 5 years
Ormoc Office - SMFI - AIC	AW Square 3rd/F R#3F Cor. Real & San Vidal St., Ormoc City	Rented	Good	32,340.00	30-Nov-2024	Renewable every 4 years
Central Luzon Office - SMFI - AIC	SMPFC Region Office, SMC Complex, Quebiawan, San Fernando, Pampanga	Rented	Good	371,122.96	31-Dec-2023	Renewable every year
Admin Office and Cold Storage/Processing Plant/Warehouse						
Butuan Office and Cold Storage - SMFI AIC and SMFI - Poultry	Km 9 Tag-ibo Butuan City	Rented	Good	11,127.16 (Office) 449,450 (Processing Plant) 228,920 (Cold Storage) 220,530 (Holding Room)	31-Dec-2025 (Office - AIC) 31-Dec-2025 (Cold Storage - Poultry)	Negotiations for the renewal shall commence six (6) months before expiry date. The decision to renew or not to renew should be made by the parties within a period not exceeding three (3) months from date of expiry
Misamis Occidental Office and Cold Storage - SMFI - AIC and SMFI - Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	133,090 (Cold Storage) 250,027 (Holding room) 14,946.00 (Office)	31-Dec-2025	-Renewable every 3 years (Office) -6 months before expiry date. The decision to renew or not to renew should be made by the parties within a period not exceeding three (3) months from date of expiry (Cold Storage & Holding Room)
Cebu Office, Labatory & Cold Storage - SMFI - Poultry	Brgy. Pangdan, Naga City, Cebu	Rented	Good	39,200.00 (Office and Labatory) 3,781,750 (Cold Storage & Warehouse)	31-Jan-2025	Renewable every 3 years
Mandaue Admin Office, Warehouse and Cold Storage - SMFI - Poultry	Lot 2459-B1&B2 Batiller Street, Barangay Umapad, Mandaue City	Rented	Good	654,740.00	Continuing unless terminated and agreed by both parties	Ongoing renewal through SMILSI
JM1 Farm - SMFI - Meats	Brgy. Kalasungay, Malaybalay City	Rented	Good	650,000.00	31-Aug-2025	Renewable every 3 years
Cold Storage						
Misamis Oriental Dressing Plant (Processing, Cold Storage, Holding Room)- SMFI - Poultry	Mohon Tagoloan Misamis Oriental	Rented	Good	422,620.00	30-Sep-2025	The Lessee maybe pre-terminate the Contract without cause by giving 60 days prior written notice to the Lessor
Pangasinan Cold Storage - SMFI - Poultry	Brgy. Mabilao, San Fabian, Pangasinan 2433	Rented	Good	204,984.00	30-Sep-2023	Renewable every 3 years
Misamis Oriental Cold Storage - SMFI - Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	118,552.00	Continuing unless terminated and agreed by both parties	Renewed upon the expiry of its contract term for the like period(s) under the same terms and conditions, except as may be otherwise agreed by the parties in writing
Palawan Cold Storage - SMFI - Poultry	Abara Road, Brgy. San Pedro, Puerto Princesa City, Palawan	Rented	Good	388,080.00	31-Dec-2024	Renewable every 2 years

	Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Negros Oriental - Cold Storage & Processing Plant - SMFI - Poultry	Sra Ascion, San Jose, Negros Oriental	Rented	Good	2,433,370.00	31-Oct-2024	Renewable every 3 years
Cold Storage and Blast Freezing Facility/Holding Room/Laboratory/Warehouse/Processing Plant/Mixes Storage/Office							
	Bulacan Cold Storage and Holding Room - SMFI - Poultry	#95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	180,928 (Cold Storage) 184,667 (Holding room)	31-May-2025	Renewable every 3 years
	Pampanga Cold Storage & Selling Station- SMFI - Meats & Mixes Storage - Poultry	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	1,967,612.59 (Cold Storage) 51,785.71 (Selling Station) 30,140 (Mixes Storage)	31-Dec-2024 (Cold and Mixes Storage) 30-Jun-2024 (Selling Station)	Renewable upon mutual agreement of both parties
	Leyte Cold Storage and Office and Laboratory - SMFI - Poultry	Brgy. Antipolo, Albuera, Leyte	Rented	Good	1,637,614.00 (Cold Storage) 35,000.00 (Office and Laboratory)	Extension memo up to Feb 29, 2024	Renewable every 3 years
	Bulacan Cold Storage, Holding Room and Laboratory & Liquidator's Office- SMFI - Poultry	Brgy. Caysio, Sta. Maria, Bulacan	Rented	Good	2,831,846 (Cold Storage) 1,392,985 (Holding Room) 55,033(Laboratory) 9,750 (Office)	28-Feb-2025	Renewable every 3 years
	La Union Cold Storage, Holding Room and Laboratory - SMFI - Poultry	Brgy. Rabon, Rosario, La Union 2506	Rented	Good	2,183,379 (Cold Storage & Holding Room) 72,081.00 (Laboratory)	30-Sep-2026	Renewable every 3 years
	Pampanga Cold Storage, Holding Room and Labatory - SMFI - Poultry	Brgy. San Isidro, San Simon, Pampanga	Rented	Good	731,185 (Cold Storage) 317,853.00 (Holding Room) 49,090.00 (Labatory)	8-Jul-2025	Renewable every 3 years
	Tarlac Cold Storage, Holding Room and Laboratory - SMFI - Poultry	Brgy. San Nicolas Balas, Concepcion, Tarlac 2316	Rented	Good	1,810,069.00 (Cold Storage) 1,211,826.00 (Holding Room) 37,882.07 (Laboratory)	31-Dec-2024	Renewable every 3 years
	Bataan Cold Storage and Holding Room - SMFI - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	2,880,950 (Cold Storage) 1,327,480.00 (Holding Room) 28,764.14 (Labatory)	31-Dec-2024	Renewable every 3 years
	Nueva Ecija Cold Storage, Holding Room and Labatory- SMFI - Poultry	Km104, Brgy Tabuating, San Leonardo, Nueva Ecija	Rented	Good	693,070 (Cold Storage) 914,660.00 (Holding Room) 28,570.00 (Laboratory)	9-Mar-2024	Renewable every 3 years
	Iloilo Cold Storage and Processing Plant- SMFI - Poultry	Barangay Tungay, Sta. Barbara, Iloilo	Rented	Good	902,691.69 (Cold storage) 474,483.96 (Processing plant)	31-Dec-2023	Renewable every 3 years
	Negros Oriental Cold Storage and Processing Plant -SMFI - Poultry	Bolocboloc Sibulan Negros Oriental	Rented	Good	1,818,600.00	31-Oct-2024	Renewable every 3 years
	Negros Occidental Processing Plant and Cold Storage & Laboratory - SMFI - Poultry	Hda Binunga. Brgy Guinhalaran, Silay City, Negros Occidental	Rented	Good	395,541.76 (Processing Plant) 794,134.38 (Cold Storage)	31-Dec-2024	Renewable upon mutual agreement of both parties
	El Salvador Processing Plant; Cold Storage; Holding Room - SMFI Poultry	Upper Linabo, Brgy. Cogon, El Salvador City	Rented	Good	2,121,510 (Cold Storage) 453,490 (Holding room)	3-Mar-2026	6 months before expiry date. The decision to renew or not to renew should be made by the parties within a period not exceeding three (3) months from date of expiry
	Tacloban Cold Storage and Warehouse - SMFI - Poultry	Bgry. Diit, Maharlika Highway, Tacloban City, Leyte	Rented	Good	2,755,200.00	31-Dec-2023	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Depot							
	Pampanga Depot - Magnolia	Gloria 1, Sindalan, San Fernando Pampanga	Rented	Good	3,888,373.84	31-Dec-2023	Renewable every year
	Iloilo Depot - Magnolia	3M Dragon,Leganes St., Brgy Lupa Santa Barbara Iloilo	Rented	Good	1,986,000.00	31-Dec-2023	Renewable every year
	Consolacion Cebu Depot - Magnolia	Cebu-North Road, Tayud, Consolacion, Cebu	Rented	Good	3,048,251.32	31-Dec-2023	Renewable every year
	Cagayan de Oro Depot - Magnolia	Brgy. Cugman, Cagayan de Oro City	Rented	Good	3,234,698.45	31-Dec-2023	Renewable every year
	Bacolod Depot - Magnolia	Magsasay Cor Araneta Sts., Brgy. Singcang, Bacolod City	Rented	Good	1,649,901.40	31-Dec-2023	Renewable every year
Foreshore							
	Mabini Bulk Grain Handling Terminal Foreshore - GBGTC	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	373,949.14	28-Feb-2025	Lease may be renewed for another 25 years at the option of the DENR
	Mabini Foreshore - SMMI	Brgy. Bulacan, Mabini, Batangas	Rented	Good	49,089.06	Continuing unless terminated and agreed by both parties	Lease may be renewed for another 25 years at the option of the DENR
	Tabangao Foreshore - SMMI	Brgy. Tabangao, Batangas	Rented	Good	9,648.63	22-Aug-2024	Lease may be renewed for another 25 years at the option of the DENR
Land							
	Mabini Bulk Grain Handling Terminal (Land only) - GBGTC	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	1,796,808.46 per month (Jan to Mar); 1,976,489.31 per month (Apr to Dec)	31-Mar-2024	Renewable upon mutual agreement of the parties
	Pangasinan Feedmill (Land only) - SMFI - Feeds	Brgy. Bued, Binalonan, Pangasinan	Rented	Good	373,300.18	31-Dec-2023	Renewable every year
	Mabini New Flourmill (Land Only) - SMMI	Brgy. Bulacan, Mabini, Batangas	Rented	Good	1,720,275.68	31-Dec-2023	Renewable upon mutual agreement of the parties
	Bataan Farm (Land only) - SMFI - Poultry	Brgy. General Lim, Orion, Bataan	Rented	Good	267,251.44	31-Dec-2026	Renewable at the end of contract date
	Bataan Feedmill (Land only) - SMFI - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan	Rented	Good	1,323,435.00 (Plant 1) 842,267.78 (Plant 2) 906,560.73 (Extension warehouse)	31-Dec-2054 (Plant 1) 31-Mar-2041 (Plant 2) 31-Mar-2041 (Extension Warehouse)	Renewable upon mutual agreement of both parties
	Cebu Land - SMMI	P. Rodriguez Street & Dad Cleland Road, Poblacion, Lapu-Lapu, Cebu	Rented	Good	Jan-June : 4,042,478.91 July -Dec : 4,244,602.85	31-May-2031	Renewable upon mutual written agreement of the parties
	Pasig Office (Land Only) - SMFI - Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig	Rented	Good	314,633.66	31-Dec-2024	Renewable upon mutual agreement of both parties
	Laguna Ice Cream Plant (Land Only) - GFMI	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Rented	Good	748,300.09	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Ready-to-Eat Plant (Land Only) - SMFI - Great Food Solutions (GFS)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa City, Laguna	Rented	Good	1,310,891.10	31-Dec-2027	Continuing unless terminated and agreed by both parties
	Bulacan Feedmill(Land Only) - SMFI - Feeds	Brgy. Malipampang San Ildefonso, Bulacan	Rented	Good	1,188,100.00	31-Dec-2031	Renewable every 10 years

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Davao Land - SMFI - Feeds	Sitio Landing, Brgy. Darong , Sta. Cruz, Davao Del Sur	Rented	Good	910,706.00	31-Mar-2031	Continuing unless terminated and agreed by both parties
Processing Plant							

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Lipa Dressing Plant - SMFI - Poultry	Brgy Kayumanggi, Lipa City	Rented	Good	1,040,110.00	31-Aug-2024	Renewable upon mutual agreement of both parties
	Puerto Princesa Dressing Plant - SMFI - Poultry	Brgy Tagburos, Puerto Princesa City, Palawan	Rented	Good	22,400.00	31-Dec-2024	Renewable every 3 years
	Lucena Processing Plant - SMFI - Poultry	Brgy. Bocohan, Lucena	Rented	Good	1,534,600.00	30-Jun-2024	Renewable every 3 years
	Isabela Processing Plant and Laboratory - SMFI - Poultry	Garit Sur, Echague Isabela	Rented	Good	3,516,289 (Processing Plant); 40,765.18 (Laboratory)	15-Mar-2024	Renewable every 3 years
	Davao City Processing Plant - SMFI - Poultry	R.Castillo, Davao City	Rented	Good	397,423.89	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Rizal Processing Plant - Poultry	#1 Sitio Kapatagan, Brgy. Pinugay, Baras, Rizal	Rented	Good	291,326.19	31-Dec-2024	Renewable every year
	Batangas Processing Plant - SMFI - Poultry	Brgy Aya, San Jose, Batangas	Rented	Good	3,314,850.00	31-Dec-2023	Renewable upon mutual agreement of both parties
	South Cotabato Processing Plant - SMFI - Meats	Purok 3, Brgy. Glamang, Polomolok, South Cotabato	Rented	Good	208,272.87	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Marawoy Lipa Processing Plant - SMFI - Meats	A.Tanco Drive, Brgy . Marawoy , Lipa City, Batangas	Rented	Good	132,959.49	31-Dec-2025	Renewable upon mutual agreement of both parties
	Tacloban Processing Plant - SMFI - Poultry	Brgy. 69 Anibong, Tacloban City	Rented	Good	132,000.00	31-Dec-2023	Renewable upon mutual agreement of both parties
Sales Office							
	Iloilo Office - SMFI - SMIS	Orbe St., Brgy. Baybay Norte, Miag-ao, Iloilo	Rented	Good	8,928.57	30-Jun-2028	Renewable upon mutual agreement of both parties
Sales Office and Cold Storage/Laboratory/Warehouse							
	Pangasinan Office and Warehouse - SMFI - Poultry	GTL Compound, San Vicente, San Jacinto, Pangasinan, 2431	Rented	Good	25,000.00 (Office) 15,000.00 (Warehouse)	31-Dec-2023 (Office, Warehouse)	Renewable every year
Warehouse							
	LSL Multi-Serve-Managed Warehouses - SMFI - Feeds	Bay 6 Everland Agri Corp., Km. 12, Sasa, Davao City; Km. 11, Sasa, Davao	Rented	Good	754,285.71	31-Dec-2023	Renewal every one year
	Pangasinan Warehouse - SMFI - Feeds	Carmen East, Rosales, Pangasinan	Rented	Good	1,547,212.80	31-Dec-2023	Renewable every year
	MMIJOE-Managed Warehouses - SMFI - Feeds	Diversion Rd., Buhangin, Davao City; Km 10, Sasa, Davao City	Rented	Good	865,632.14	31-Dec-2023	Renewable every year
	SMCSL-Managed Warehouses - SMFI - Feeds	Manila; Bataan; Batangas; Camarines Sur; Cebu; Iloilo; Bacolod; Cagayan de Oro; Ozamiz; Bukidnon; General Santos; Zamboanga; Davao	Rented	Good	47,680,963.51	31-Dec-2023	Renewable upon mutual agreement of both parties
	D Meter-Managed Warehouses - SMFI - Feeds	Cristo Rey Capas, Tarlac 2315; 15 Victoria Hills St. Bungad, Project 7, Quezon City, Metro Manila	Rented	Good	1,679,546.96	31-Dec-2023	Renewable upon mutual agreement of both parties
	Tarlac Warehouse - SMFI - Feeds	Mabini, Moncada, Tarlac	Rented	Good	504,128.80	31-Dec-2023	Renewable every year
	Camarines Sur Warehouse - SMFI - Feeds	Santiago, Pili, Camarines Sur	Rented	Good	273,240.00	31-Dec-2023	Renewable every year
	Pangasinan Warehouse - SMFI - Feeds	Urdaneta, Pangasinan	Rented	Good	1,886,640.00	31-Dec-2023	Renewable every year
	Mandaluyong Warehouse - SMFI - Feeds	979 C. Castaneda Street, Mandaluyong City Metro Manila	Rented	Good	198,000.00	Continuing unless terminated and agreed by both parties	As mutually agreed upon between parties. Should the parties continue their relations upon expiry of term without the parties having executed a written renewal, the Contract shall subsist on a month to month basis.
	Camarines Sur Warehouse - SMFI - Feeds	Brgy. San Jose, Pili, Camarines Sur	Rented	Good	972,787.20	31-Dec-2023	Renewable every year
	Parañaque Warehouse - SMFI - AIC,SMFI - SMIS and SMFI - Great Food Solutions (GFS)	Pacific Coast Plaza Building, 1st Villamor Street, Parañaque	Rented	Good	59,423.29 (AIC) 149,629.7 (SMIS) 24,433.47 (GFS)	31-Dec-2024	Mutually be agreed upon between the parties.
	Tarlac Warehouse - SMFI - Feeds	Brgy. Estrada Capas, Tarlac	Rented	Good	1,002,400.00	31-Dec-2023	Renewable every year

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Mandaue Warehouse - SMFI - AIC	M.L. Quezon St., Casuntingan, Mandaue City	Rented	Good	37,315.04	Jun 30, 2023	Renewable every 3 years
Laguna Warehouse - SMFI - Poultry	Denson Whse, Brgy Parian, Calamba, Laguna	Rented	Good	1,142,350.00	31-Jul-2024	Renewable every year
Calamba Warehouse - SMFI - Poultry	Prinza, Calamba, Laguna	Rented	Good	203,400.00	31-Dec-2023	Continuing unless terminated and agreed by both parties
Isabela Warehouse - SMFI - Feeds	Bo. Soyung, Echague, Isabela	Rented	Good	882,028(Jan-Apr); 1,260,924 (May - Jul); 838,236 (Aug-Dec)	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Paranaque Warehouse - SMMI	8380 Dr. A. Santos Avenue, Barangay BF Homes, Parañaque City	Rented	Good	115,182.77 per month (Jan to Apr); 118,638.26 per month (May to Dec)	30-Apr-2023	Renewable upon mutual agreement of both parties
Samar Warehouse-SMMI	Catbalogan Samar	Rented	Good	33,033.48	31-Dec-2025	Renewable upon mutual agreement of both parties
Bulacan Warehouse - SMFI - Feeds	Cagayan Valley Rd, Brgy. Matimbubong, San Ildefonso, Bulacan	Rented	Good	784,000.00	31-Dec-2023	Renewable upon mutual agreement of both parties
Batangas Warehouse - SMFI - Feeds	Brgy. Balibaguhan, Mabini Batangas	Rented	Good	1,684,691.90	31-Aug-2023	Renewable upon mutual agreement of both parties
Bacolod Warehouse - SMFI - Feeds	Lot 1 Bredco Port, Brgy. Poblacion, Bacolod City	Rented	Good	308,121.94	28-Feb-2025	Renewable every 3 years
Gen. Santos Warehouse - SMFI - Feeds	Labangal, General Santos City	Rented	Good	361,600.00	31-Dec-2023	Renewable upon mutual agreement of both parties

Note: All owned properties are free of liens and encumbrances.

Annex “D”

LIST OF PRODUCTS

I. BEER AND NAB

1. San Miguel Pale Pilsen
2. San Mig Light
3. San Miguel Super Dry
4. San Miguel Premium All-Malt
5. Red Horse
6. Red Horse Super
7. Gold Eagle
8. Cerveza Negra / San Miguel Cerveza Negra
9. San Miguel Flavored Beer
10. San Mig Zero
11. San Miguel NAB
12. San Miguel Flavored NAB
13. San Miguel Cerveza Blanca
14. San Miguel Chocolate Lager (Limited Edition)
15. Valor
16. Blue Ice
17. Dragon
18. W1N Bia (Bia Hoi)
19. Anker
20. Kuda Putih
21. Bruck
22. Knight
23. San Mig Hard Seltzer
24. Batavia

ALCOHOL-FREE BEVERAGE

1. San Mig Free

NON-ALCOHOLIC BEVERAGES

1. Magnolia Fruit Drink
2. Magnolia Healthtea
3. Cali
4. Magnolia Flavored Water

BREWED FOR PRIVATE LABEL

1. Ikinama
2. Kiwamugi
3. Ceus
4. Elite

BREWED UNDER LICENSING/TOLLING AGREEMENT

1. Carlsberg
2. Sunlik

IMPORTED/DISTRIBUTED

1. Kirin Ichiban
2. Samuel Adams
3. Sam 76
4. Angry Orchard
5. Spitfire
6. Whitstable Bay
7. Mahou
8. Magners
9. Arcobrau

II. SPIRITS

1. GINEBRA SAN MIGUEL
2. GINEBRA SAN MIGUEL PREMIUM GIN
3. G.S.M. BLUE LIGHT GIN
4. G.S.M. BLUE FLAVORS (Mojito, Margarita, Gin Pomelo, and Cosmopolitan)
5. PRIMERA LIGHT (Primera Light Imported)
6. VINO KULAFU (Chinese Wine)
7. ANTONOV VODKA
8. 1834 PREMIUM DISTILLED GIN
9. AÑEJO GOLD RUM
10. G&T Ultralight Spirit Drink (Lemon Ginger and Apple Black Tea)
11. SAN MIGUEL ETHYL ALCOHOL

FOR EXPORT ONLY

12. Tondeña Manila Rum (Gold)

III. FOOD

San Miguel Foods, Inc.

POULTRY

Live Broilers

Dressed Chicken (Wholes)
Magnolia Fresh Chicken (Fresh Chilled, Frozen)
Magnolia Spring Chicken (Fresh Chilled, Frozen)
Magnolia Big Bird (Fresh and Frozen)
Magnolia Jumbo Chicken (Fresh and Frozen)
Magnolia Free Range Chicken (Fresh and Frozen)

Cut-ups
Magnolia Chicken Cut-ups (Fresh Chilled, Frozen)
Magnolia Chicken Station Cut-ups (Cut and packed in the Chicken Stations)
Magnolia Free Range Cut-ups

Marinated, Ready to Cook
Magnolia Chicken Timplados Ready-to-Cook (Fried Chicken, BBQ, Tocino, Teriyaki, Spicy Wings, Oriental Wings, Inasal, Spicy Fried Chicken, Roasters Lemon Herb, Roasters Smoked Pepper, Bola-Bola, Chicken Longanisa, Grillers Classic Roast, Cheesy Fingers, All-around Pangsahog, All-around Giniling, Fried Chicken Drumsticks with BBQ seasoning, Pinoy Streat Foods Chicken Skin, Classic Burger)

Magnolia Chicken Station Timplados (Cheesy Fingers, Vanilla Fingers, Lumpiang Shanghai, Spicy Neck, Chicken Frillers, Korean BBQ, Chicken Siomai, Chicken Tapa) – produced in Chicken Stations

Magnolia Chicken Streat Sarap (Isaw, Chicken Feet, Chicken Neck)

Magnolia Real Chicken Burger Steak

Giblets
Magnolia Chicken Giblets (Fresh and Frozen Liver and Gizzard)

Institutional
Whole Chicken
Customized Bone-in Cut-ups and Deboned Fillets

Brown Eggs
Magnolia Cage-Free Brown Eggs 12s
Magnolia Egg-A-Day 7s

FRESH MEATS

Live Hogs

Wholesale Cuts
Pork
Hog Carcass
Boxed Primal Parts

Beef
Beef Forequarters
Beef Hindquarters
Boxed Primal Cuts

Retail Cut-ups
Monterey Primal Cuts (Pork, Beef)
Monterey Meatshop Cut Ups (Pork, Beef) - cut and packed in Monterey Meatshops

Marinated

Monterey Meatshop Timplados (Pork, Beef) - produced in Monterey Meatshops
Pork BBQ Tenderloin Skewers
Monterey Exclusives (Pork BBQ, Baby Back Ribs, American Style Ribs, Pork Tocino)

FEEDS

Animal and Aquatic Feeds

Hog Feeds

B-MEG Premium Hog Feeds
B-MEG Premium Super Inahin Hog Pellets
B-MEG Premium Super Biik Hog Pellets
B-MEG Expert Premium Formulation Hog Pellets
B-MEG Expert Complete Nutrition Hog Feeds
B-MEG Mega Mash
B-MEG Essential Hog Feeds
B-MEG Essential Performix
B-MEG Bonanza Hog Pellets
Jumbo Hog Feeds
Pureblend Hog Feeds

Poultry Feeds

B-MEG Essential Layer
B-MEG Essential Broiler
B-MEG Essential Broiler Breeder
B-MEG Premium Layer
B-MEG Premium Broiler
B-MEG Expert Layer
B-MEG Layer
B-MEG Broiler
B-MEG Ducks
B-MEG Free Range Chicken Feeds
B-MEG Integra
B-MEG Integra Powermaxx
B-MEG Derby Ace
B-MEG Alertone Mixed Grains
B-MEG Fighting Cock Pellets
B-MEG F-Series
B-MEG Pigeon Pellets
Jumbo Pullet Developer Pellets
Pureblend Layer Feeds
Pureblend Broiler Feeds
Pureblend Duck Feeds

Aquatic Feeds

B-MEG Prize Catch Super Premium Extruded Floating Feeds
B-MEG Prize Catch Premium Extruded Floating Feeds
B-MEG Prize Catch Premium Sinking Feeds
B-MEG Aquaration Extruded Floating Feeds
B-MEG Aquaration Extruded Sinking Feeds

Others

Pureblend Quail Feeds
B-MEG Horse Feeds

Concentrates

B-MEG Hog Concentrate
B-MEG Essential Pig Protein Concentrate
B-MEG Essential Goat Concentrate
B-MEG Essential Cattle Concentrate

Animal Health Care Veterinary Medicines

Anti-infective - Water Soluble Preparations
- Amoxil-V (Amoxicillin 20%)
- Cephalexin 20%
- Chlortetracycline 25%
- Cotrimoxazole 48%
- Doxa-V (Doxycycline 20%)
- Dox-C-Lin Gold Premium
- B-MEG Integra Trimax
- B-MEG Integra CXD-3

Supplement/Vitamins - Water Soluble Preparations
- Elec-V (Electrolytes)
- Multi-V (Multi-vitamins)
- Multivitamins + Minerals + Amino Acids
- Vitamin B-Complex (Broiler)
- B-MEG Integra Electromax
- B-MEG Integra Multimax

Anti-Inflammatory/Anti-pyretic - Water Soluble Preparation
- Para-V

Dewormer/Anti-nematodal - Water Soluble Preparations
- Bulatigok SD (Levamisole 2%)
- Bulatigok (Levamisole 20%)

Injectables
- Alamycin LA

Supplement/Vitamins - Injectables
- Iron Vet
- Norovit

Oral Preparations
- B-MEG Integra Trifast
- B-MEG Integra Power Edge
- B-MEG Integra Worm-X
- B-MEG Integra Worm-X Maxx
- B-MEG Integra Multimax D5

Anti-infective - Liquid Preparations
- Norfloxacin 20%
- Doxa-V Plus 20%

Supplement/Vitamins - Liquid Preparations
- Vitamin ADE OS
- Vitamin E 60%
- Multi-V
- Multi-V Plus (MV+AA OS)
- PneumoCare (Essential Oils + Ethanol)
- Vita-Levo

Anti-infective - Feed Premix
- Tiamulin 10%

Supplement/Vitamins - Feed Premixes
- B-MEG Essential Swine Vitamin
- B-MEG Essential Swine Mineral
- B-MEG Essential Poultry Vitamin
- B-MEG Essential Poultry Mineral

Disinfectants

Protect Plus
Protect Plus Gold
Aqua Care
Calci Clear
Sanivir Smoke

Others

B-MEG Integra Feather Shine Shampoo
Cyrokill

Pet Care

Mainstream Dog Food

Nutri Chunks Hi-Protein Puppy Lamb
Nutri Chunks Optimum Adult Beef
Nutri Chunks Optimum Adult Lamb
Nutri Chunks Coatshine Adult Salmon
Nutri Chunks Maintenance Adult Beef
Nutri Chunks Maintenance Small Breed Lamb

Economy Dog Food

AlphaPro Regular Bites Adult Beef
AlphaPro Small Bites Adult Beef

Dog Treats

NutriChunks Milk Flavored Sticks
NutriChunks Beef Flavored Sticks

Pet Health/Wellness

NutriChunks Wormshot Dewormer
NutriChunks Multi-V Yum Supplement

San Miguel Mills, Inc.

Hard Wheat Flour

Emperor
King
Pacific
Monarch
Harina de Pan de Sal
Count

Soft Wheat Flour

Queen
Countess
Red Dragon
Nova
Vega
Alpha
Polaris

Specialty Flour

Baron All-Purpose Flour
Gallant All-Purpose Flour
Baron Siopao Flour
Princess Cake Flour
Golden Wheat Whole Wheat Flour (Fine and Coarse)

Customized Flour

Royal Premium Noodle Flour

Royal Special Noodle Flour
Prince Miki Flour
Prince Noodle Flour
Prince Wrapper Flour

Premixes
Bake Best Bibingka Mix
Bake Best Brownie Mix
Bake Best Butter Cake Mix
Bake Best Crinkle Mix
Bake Best Pan De Sal Mix
Bake Best Puto Mix
Bake Best Yeast Raised Doughnut Mix

Bakery Ingredients
Bake Best Baking Powder
Bake Best Bread Improver
Bake Best Gold Bread Improver
Bake Best Platinum Bread Improver
Emperor's Best Instant Yeast

Other Wheat Flours
Mabini
Humabon

The Purefoods-Hormel Company, Inc.

REFRIGERATED MEATS

Hotdogs
Purefoods Tender Juicy Hotdog (Classic, Jumbo, King Size, Cocktail, Cheesedog, Chick 'n Cheese, Giant, Cheesy Pizza, Cheesy Spaghetti, Balls, Cheeseballs, Cheesy Corndog, Classic Corndog, Chili, Chili & Cheese)
Purefoods Star Hotdog (Classic, Cheezeedog, Chick n' Tasty, Cheeseballs, Footlong)
Purefoods Star Cheesedog (Regular, Jumbo, Footlong)
Purefoods Star Chick n' Tasty (Regular, Jumbo)
Higante Hotdog (Classic, Cheesedog, Chicken, Chicken and Cheese)
Purefoods Deli Franks (German, Angus Beef, Cheese, Spicy Pepper Beef)
Purefoods Deli Sausages (Bockwurst, Schublig, Hungarian Cheese, Breakfast Sausage)
Purefoods Beefies Hotdog (Regular, Lots-a-Cheese)
Vida Hotdog
Bongga Hotdog

Breaded, Battered and Fried
Purefoods Chicken Nuggets (Chicken Breast Nuggets, Crazy Cut Shapes, Letters & Numbers, Bacon & Cheese, Cheese Overload, Drummets, Chicken Popcorn, Spicy Chicken Nuggets)
Purefoods Fish Nuggets
Purefoods Shrimp Tempura
Purefoods Tail-On Shrimp
Purefoods Squid Rings
Purefoods Chicken Katsu
Purefoods Pork Katsu
Purefoods Chicken Karaage
Purefoods Crispy Fried Chicken (Classic, Soy Garlic, Garlic Parmesan)
Star Chicken Nuggets (Chicken, Chick'n Cheese)
Star Burger Bites

Bacon
Purefoods Bacon (Honeycured, Maple-flavored, Thick Cut Honeycured, Bacon Crumble, Beef Bacon)

Hormel Black Label Bacon
Vida Bacon

Premium RM (under Deli portfolio)
Purefoods Deli Patty (Angus Beef, Breakfast Sausage)

Sliced Hams
Purefoods Ham (Sweet, Cooked, Chicken)
Purefoods Fiesta Ham Slices
Star Sweet Ham
Vida Sweet Ham

Whole Hams
Purefoods Fiesta Ham (Whole, Pre-Sliced, Bone-in, Chicken)
Purefoods Jamon de Bola (Pork, Chicken)
Purefoods Chinese Ham
Purefoods Brick Ham
Purefoods Pear-Shaped Ham (Pork, Chicken)
Jamon Royale

Ready-to-Cook/Ready-to-Eat
Purefoods Sisig
Purefoods Chicken Teriyaki, Chicken Balls
Ready-to-Eat Viands (Kare Kare, Bistek Tagalog, Lechon Paksiw, Pork Binagoongan, Pork Humba, Beef Caldereta, Beef Pares, Bicol Express, Chicken Afritada, Callos, Korean Beef Stew, Dinuguan, Chicken Pastel, Chicken Curry, Pininyahang Manok, Chicken Caldereta, Beef Mechado)
Ready-to-Eat Classic Filipino Soups (Beef Bulalo, Beef Kansi, Chicken Binakol, Sinampalukang Manok)
Purefoods Sauces (Spaghetti Sauce)

Native Line
Purefoods Tocino (Classic, Sweet Chili, Chicken)
Purefoods Longanisa (Hamonado, Recado, Chicken)
Purefoods Tapa (Beef, Chicken, Sweet & Spicy Beef, Hot & Spicy Chicken)
Purefoods Adobo Flakes
Purefoods BBQ ala Liempo (Pinoy BBQ)
Purefoods Chicken Inasal
Purefoods Chicken Barbecue
Purefoods Sisig
Purefoods Chicharon Bulaklak

Plant-Based
Veega Meat Free Line (Burger Patty, Sausage, Giniling, Nuggets, Balls)
Veega Meat Free RTE Line (Bulgogi, Spicy Soy Garlic Balls)
Veega Vegan Line (Adobo Flakes, Tapa, Tocino)

GROCERY PRODUCTS

Corned Meats
Purefoods Corned Beef (Classic, Hash, Chili, Hot & Spicy, with Chunks, Bulgogi, Mechado, Salpicao)
Purefoods Corned Chicken (Classic, Hot & Spicy)
Chunkee Corned Beef
Star Corned Beef (Regular, Chunky Cheese)
Star Carne Norte
Bongga Carne Norte (Regular, Hot & Spicy)

Luncheon Meats
Purefoods Luncheon Meat Round Can (Classic, BBQ, Chili Pepper, Bacon, Cheese, Lite)
Purefoods Luncheon Meat Square Can (Classic)
Purefoods Chinese Style Luncheon Meat

Purefoods Chicken Luncheon Meat
Star Beef Loaf
Star Meat Loaf
Star Nutri-Meats Ulam Loaf (Hot & Spicy, Embutido)
Bongga Beef Loaf
SPAM (Regular, Less Sodium, Lite, Tocino, Hot & Spicy, Bacon)

Sausages
Purefoods Vienna Sausage
Star Nutri-Meats Sausage

Canned Viands
Purefoods Sizzling Delights (Sisig, Chicken Sisig)
Ulam King (Caldereta, Menudo, Mechado)
Star Nutri-Meats Ulam (Adobo, Bicol Express, Bistek, Caldereta, Humba, Kare-Kare, Mechado, and Pares)

Canned Chicken
Purefoods Chicken (Broth, Afritada, Homestyle-Curry, Hot & Spicy)

Specialty Grocery Products
Purefoods Liver Spread
Purefoods Spaghetti Meat Sauce
Purefoods Chorizo Bilbao Style
Star Nutri-Meats Liver spread

Peanut Butter
SKIPPY (Creamy, Chunky, No Sugar No Salt Added, Choco Stripes)

Magnolia Inc.

BUTTER, MARGARINE, AND CHEESE

Butter and Margarine
Magnolia Gold Butter (Salted, Unsalted)
Magnolia Gold Spreadable
Magnolia Butter-licious! (Salted and Unsalted)
Whipped Butterblend (Food Service)
Butterblend (Food Service)

Refrigerated Margarine
Dari Creme (Classic, Buttermilk)
Dari Creme Spreadable
Buttercup
Baker's Best

Non-Refrigerated Margarine
Star Margarine (Classic, Sweet Blend, Garlic, Chocolate)
Delicious Margarine
Magnolia Non-Refrigerated Margarine (Food Service)
Primex Shortening (Food Service)
NRM Buttermilk (Food Service)

Cheese
Magnolia Cheezee Block (Regular, Milky White)
Magnolia Cheezee Spread (Plain, Pimiento, Milky White)
Magnolia Cheezee Squeeze (Cheddar, Pimiento)
Daily Quezo
Magnolia Quickmelt
Magnolia Cheddar

Magnolia Cream Cheese (Block, Spread)
Magnolia Christmas Cheeseballs (Queso de Bola, Gold Edam) - Seasonal
Magnolia Food Service Cheese (Cheese Sauce, Filled Cheese, Cheesefood, Hi-Colored Cheese, Sharp Flavored Melting Cheese)

MILK

Magnolia Chocolait
Magnolia Fresh Milk
Magnolia Low Fat Milk
Magnolia Full Cream Milk
Magnolia Non Fat Milk

ALL-PURPOSE CREAM

Magnolia All-Purpose Cream

SALAD AIDS

Magnolia Real Mayonnaise
Magnolia Sandwich Spread
Magnolia Mayoriffic
Magnolia Creamy Chicken Spread

FLOUR MIXES

Magnolia Pancake
Magnolia All Purpose Flour
Magnolia Cake Mixes

ICE CREAM

Bulk Ice Cream

Magnolia Classic (Kesong Puti, Avocado, Vanilla, Chocolate, Ube)
Magnolia Gold Label (Vanilla, Chocolate, Ube, Mango, Avocado, Smores, Double Dutch, Cookies and Cream, Rocky Road, Wintermelon Milk Tea, Quadruple Chocolate, Choco Peanut Butter, Taro White Cheese, Tablea Yema, Avocado Macchiato, Ube Keso, Kesong Puti, Mango Dark Chocolate, Latte Choco Brownie)
Magnolia Food Service (Tablea Yema, Taro White Cheese, Kesong Puti, Macapuno, Buko Pandan, Dark Chocolate, Ube Keso, Wintermelon milk tea)

San Miguel Gold Label (For Export)

SMGL Mellorine (Ube, Ube Keso, Creamy Halo-Halo, Mango, Avocado Macchiato, Macapuno, Ube Swirl, Avocado, Keso, Kesong Puti, Tato White Cheese, Macapuno, Tsokolate, Kape't Tsokolate, Tablea Yema, Langka, Langka't Kasuy, Buko, Buko Pandan)
SMGL Frozen Dessert (Ube, Macapuno Ube Swirl, Creamy Halo-Halo, Mango, Avocado, Buko Pandan, Durian, Ube Keso)
SMGL Ice Confectionery (Ube, Ube Keso, Macapuno Ube Swirl, Creamy Halo-Halo, Avocado, Buko Pandan, Durian, Mango)
Magnolia Gold Label (Vanilla, Chocolate, Mango, Cookies & Cream, Double Dutch, Rocky Road, Avocado Macchiato, Ube, Ube Keso, Macapuno Ube Swirl,Creamy Halo-Halo, Smores, Tablea Yema, Taro White Cheese, Quadruple Chocolate, Avocado, Kesong Puti, Mango Dark Chocolate, Latte Choco Brownie)
Magnolia Classics (Vanilla, Chocolate, Ube, Mango, Strawberry)

San Miguel Super Coffeemix Co., Inc.

Coffee

San Mig Super Coffee Regular 3-in-1 Coffee – Original
San Mig Super Coffee Sugar Free 3-in-1 Coffee (Mild, Original, Strong, and White)
San Mig Super Coffee 3-in-1 Barako
San Mig Super Coffee 3-in-1 Crema White Coffee
L'OR Essenso Micro Ground Coffee (3-in-1, 2-in-1, 2-in-1 Colombian Mystique, 3-in-1 Brazilian Elegance)
Moccona Instant Pure (Espresso, Roasted Hazelnut, Classic Medium Roast, Classic Dark

Roast, Indulgence)
Moccona Cafe Style Coffee Mix (White Espresso, Latte, and Cappuccino)
L'OR Capsules (Profondo, Ristretto, Supremo, Origins India, Origins Colombia, Origins Papua New Guinea)

San Miguel Foods, Inc. - Great Food Solutions (GFS)

House Brands, Customized Products, and Traded Products

Ready-to-eat/Fully Cooked
Cook Express (Beef Tapa, Chili Con Carne, Chicken Chunks in Brine, Chicharon Bulaklak, Corned Beef Brisket)
Customized (Fully Cooked Chicken Cut-ups, Chorizo Mix)
FS Beef Pares

Marinated Meats
Chef's Selection Chicken Tocino

Burger Patties & Meatballs
Chef's Selection (Angus Burger Patty, Quarter Pounder Burger Patty, Sausage Patty, Chorizon Hamonado Patty, Value Beef Burger, Value Chicken Burger)
Customized (Beef Patty, Chicken Chorizo Patty, Chicken Sausage Patty, Meatballs)

Breaded, Battered, & Fried
Cook Express (Chicken Karaage, Corndog, Korean Corndog, Breaded Chicken Bites)
Customized BBF (Hot Chicks, Chicken Tenders, Breaded Chicken Fillet, Cheesy Chicken Bites)
FS Mini Corndog

Bakery Products
Crunchy Pan (Spicy Beef, Tuna Melt, Chocolate)

Cheese
Mozzarella Cheese
Pizza Topping

Purefoods Customized Pizza Toppings

Magnolia Customized Cheeses

Customized Flours

San Miguel Pure Foods (VN) Co., Ltd.

Sausage
Le Gourmet German Sausage
Le Gourmet Deli Sausage
Le Gourmet Deli Sumo Sausage
Le Gourmet Beer Garden Sausage
Le Gourmet Viet My Sausage
Le Gourmet My Sausage
Le Gourmet Hao Vi Sausage
Le Gourmet Cocktail Sausage
Le Gourmet Chinese Sausage
Le Gourmet Black Pepper Sausage
Le Gourmet Smoked Sausage
Le Gourmet BBQ Sausage
Le Gourmet Italian Sausage
Le Gourmet Hotdog
Le Gourmet Hotdog Corndog
Purefoods Tender Juicy Hotdog

Bacon

Le Gourmet Smoked Bacon
Le Gourmet Lean Smoked Bacon

Ham

Le Gourmet Ham

Traditional

Le Gourmet Cha Lua
Le Gourmet Cha Bo
Le Gourmet Gio Thu
Le Gourmet Beef Ball

Paste

Le Gourmet Pate

Ready-to-Cook/ Ready-to-Eat

Le Gourmet Spaghetti with Pasta

Foodservice/ Specialty

Le Gourmet Beef Toppings
Le Gourmet Pepperoni
Le Gourmet Meatballs

Annex "E"

LIST OF SUPPLIERS OF MAJOR RAW MATERIALS

Beer and NAB Segment

Malt and Hops	Boortmalt Asia Pacific Pty LTD. Cofco malt (dalian) co., ltd. Gdh supertime guangzhou malting company limited Malteurop Malteurop australia pty ltd. Malteurop france PT. agromas gemilang Taiwan hon chuan enterprise co.,
Corn Grits/Tapioca/Rice/Sugar/Starch	Binh phuoc general Cagayan corn products corporation Cgrain technology co.,ltd (c059) Eiamheng tapioca starch industry Guangzhou yuhua cereals and oils co.,ltd Hefei longjie food&oil co. ltd. Limketkai manufacturing corporation Lucky grains ricemill corporation My tuong corporation PT sinar unigrain indonesia Ricor mills corporation Scg international corporation Southern mindanao commodities, inc. T p k advance starch co., ltd.
Packaging Materials	Bangkok can manufacturing co.,ltd. (b030) Baosteel can making viet nam co ltd Boonpongkit LTD. Can asia, inc. Crown beverage cans hong kong Double paper product industries Farmarindo Jaya PT. Guangdong huaxing glass co., ltd Muliaglass Container Org (foshan) packaging co., ltd Pt Karya Indah Multiguna Pt Taewon Indonesia San miguel yamamura packaging corporation Siam glass ayutthaya co.,ltd. (s238) T.C.P.industry co.,ltd(t089) Westrock mwv hong kong limited Zhangzhou shengxing pacific packing co.ltd
Fuel	Ecolab Philippines Mabuhay Vinyl Corporation

	Petron Corporation SL Harbour Bulk Terminal Corporation

Spirits Segment

Alcohol	Shoalhaven Starches PTY LTD Raizen Trading S.A. Heindrich Trading Pte. Ltd. Alcotra SA
Molasses	E D & F Man Molasses B.V. United Molasses Trading Ltd. Biscom Inc (FOR BINALBAGAN ISABELA) Schuurmans & Van Ginneken Hawaiian-Philippine Company All Asian Bioethanol Corporation
Glass Bottles	San Miguel Yamamura Packaging Corp. and Subsidiaries SMC Shipping and Lighterage Corp. Hicap AIOT Technologies (Yantai)
Flavoring and Refined Sugar	Firmenich Asia PTE LTD All Asian Countertrade Inc

Food Segment

Breeder Stocks	Aviagen Group Cobb Vantress Inc.
Beef Carcass	D'Meter Fields Corporation
Soybean Meal, Wheat and Corn	Bunge Asia PTE. Ltd Louis Dreyfus Commodities Asia Pte Ltd Agrocorp International PTE LTD Viterra B.V.
Wheat	CHS Inc. Viterra B.V
Imported Meat	Seara Singapore PTE. Ltd.
Skimmed Milk Powder and Anhydrous Milk Fat	Fonterra Ingredients Limited
Coffee Mixes	Jacobs Douwe Egberts RTL SCC SG PTE. LTD.

SAN MIGUEL
FOOD AND BEVERAGE, INC.

Annex "F"

LIST OF COLLECTIVE BARGAINING AGREEMENTS AND COLLECTIVE LABOR AGREEMENTS

I. Beer and NAB Segment

Domestic Unions	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Concerned Workers of SMC – Polo Brewery	250	1	June 30, 2025	July 12, 2025
SMBI Employees Union (SMBIEU) – PTGWO (Monthlies – Polo)	85	1	June 30, 2025	June 30, 2024
San Fernando Brewery Employees Union (SFBEU) –(Dailies)	301	1	Feb. 15, 2026	Feb. 15, 2025
San Miguel Brewery Inc. Employees Union (SMBIEU-SFB)-Monthlies	92	1	Dec. 31, 2025	Dec. 31, 2024
San Miguel Brewing Group- Bacolod Brewery Employees Union (SMBG-BBEU) (Dailies)	97	1	July 31, 2025	Apr. 27, 2024
Philippine Agricultural, Commercial and Industrial Workers Union-Trade Union Congress of the Philippines (PACIWU-TUCP) (Bacolod Monthlies)	48	1	Oct. 31, 2025	Oct. 31, 2023
Kahugpongan Sa Ligdong Mamumu-O (KLM) (Dailies) (Mandaue)	199	1	Dec. 31, 2026	Dec. 31, 2025
San Miguel Davao Brewery Employees Independent Union (Dailies)	117	1	Nov. 30, 2024	Nov. 30, 2022
	1189	8		

International Unions					Period of CLA	
Country	Installation	Name of Union / Org representing employees	No. of Members	No. of CLAs	Start	Expiration
Vietnam	San Miguel Brewery Vietnam Limited	SMBVL Trade Union is under the supervision of Trade Union of the Khan Hoa Industrial & Economic Zone, Khan Hoa Province, Vietnam	**110**	1	Jan 1, 2023	Dec 31, 2024
Indonesia	PT Delta Djakarta Tbk	PTD Trade Union is a member of the Cigarette, Tobacco, Food & Beverage Workers Union of Indonesia (National Coverage)	**181**	1	July 12, 2022	July 11, 2024
China/ Hong Kong	San Miguel (Guangdong) Brewery Co. Ltd.	SMGB Trade Union Committee	**240**	1	June 26, 2022	June 25, 2025

II. Spirits Segment

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
GSMI - Mandaue Plant (Dailies) Ginebra San Miguel Inc. - Employees Union FREEWAS (GSMI-EU-FREEWAS Chapter) - Mandaue Plant	26	1	December 31, 2024	December 31, 2023
GSMI - Cabuyao Plant (Dailies) United Independent Union of GSMI-Cabuyao Plant	96	1	December 31, 2023	December 31, 2027
GSMI - Sta Barbara Plant (Dailies) Daily Paid Workers Independent Union	87	1	December 31, 2025	December 31, 2026
GSMI - Sta Barbara Plant (Monthlies) La Tondeña Distillers Independent Workers Union (LATODIWU)	20	1	December 31, 2025	March 31, 2022
Distilleria Bago Inc. (Monthlies) Congress of Independent Organization - Distileria Bago Employees Union (CIO - DBEU)	93	1	December 31, 2025	December 31, 2026
Total	**322**	**5**		

III. Food Segment

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Magnolia Inc. (Dailies) Progressive Workers' Union - IBM Local 47 KMU (PWU- IBM KMU)	94	1	February 28, 2026	February 28, 2025
San Miguel Foods Inc. (GMA Monthlies)-SMFI Employees Union (SMFIEU) - PTGWO	110	1	December 31, 2025	October 22, 2026
San Miguel Foods Inc. - South Luzon SMFI Poultry (Monthlies) - Magnolia Poultry Employees Union - PTGWO	23	1	December 31, 2025	June 30, 2026
San Miguel Mills, Inc. - Mabini Batangas Flour Mill Employees Union (Monthlies) - Purefoods Flour Mill Employees Union - (PFMEU)	41	1	December 31, 2025	July 31, 2027
	268	**4**		

International Unions			No. of Members	No. of CLAs	Period of CLA	
Country	Installation	Name of Union / Org representing employees			Start	Expiration
Vietnam	San Miguel Pure Foods Vietnam Co. Ltd.	Trade Union Foundation of San Miguel Pure Foods Vietnam (SMPFVN)	240	1	January 1, 2024	December 31, 2025
			240	**1**		

ANNEX "G"

San Miguel Food and Beverage, Inc.
Reported SEC Form 17-C for 2023

Date Reported	Subject
January 3, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(03Jan23_Retirement_of_Ms._OLFernandez_effective_31Dec22)_.pdf	Item 4. Resignation, Removal or Appointment or Election of Directors or Officers We advise that Ms. Ophelia L. Fernandez, Internal Audit Head of the Company, has retired effective December 31, 2022, close of business hours.
February 2, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(02Feb23_SBOD_mtg._on_the_appointment_of_JG_Esteban_as_Internal_Audit_Head)_1.pdf https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(02Feb23_SBOD_mtg._FB_Cash_Div_._Dec_.)_.pdf	Item 9. Other Events At the special meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on February 2, 2023: 1. Upon the endorsement of the Audit Committee, the Board approved the appointment of Ms. Johanna Dominique G. Esteban as Internal Audit Head of the Company and its food subsidiaries, effective today. She takes over from Ms. Ophelia L. Fernandez, who retired effective December 31, 2022 close of business hours, as previously disclosed. Ms. Esteban is a Certified Public Accountant and a Certified Information Systems Auditor. She joined San Miguel Foods, Inc. Internal Audit in February 2016 and has been an Internal Audit Manager since May 2018. She does not hold any shares of stock in the Company. 2. The Board approved the declaration of regular cash dividends on the outstanding common shares (FB) of the Company as follows: Amount: P0.40 per share Record Date: February 17, 2023 Closing of Books: February 18 to 22, 2023 Payment Date: March 3, 2023

	Earlier in the afternoon, the non-executive directors held a meeting with the external auditor of the Company and heads of the internal audit, compliance and risk functions in attendance, without any executive director present.
March 8, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(08Mar23_matters_approved_at_the_BOD_mtg.)_.pdf	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on March 8, 2023 via video conference: A. Upon the endorsement of the Audit Committee, the Board approved the following: 1. the audited consolidated financial statements of the Company as at and for the year ended December 31, 2022 (the "2022 Audited Financial Statements"), and the submission to the SEC, the PSE and the PDEx of the Annual Report of the Company (or SEC Form 17-A), including the 2022 Audited Financial Statements and the 2022 Sustainability Report. The Company posted consolidated revenues of P358.9 billion, consolidated EBITDA of P62.7 billion, consolidated income from operations of P48.7 billion, and consolidated net income of P34.7 billion; 2. the Company's 2023 Consolidated Internal Audit Plan; and 3. the Company's 2023 Consolidated Outsourcing Plan of the Internal Audit Group. B. The Board approved the virtual holding of the Annual Stockholders' Meeting of the Company on June 7, 2023, Wednesday, 2:00 p.m., where stockholders may attend and vote through remote communication. Management was authorized to determine the mechanics to implement such mode of voting, in accordance with any rules the SEC and PSE may issue on this subject. In this connection: (i) The record date for the stockholders entitled to vote at the said meeting is May 8, 2023; (ii) The stock and transfer books will be closed from May 9 to 16, 2023; (iii) The deadline for submission of proxies is on May 14, 2023; and (iv) The validation of proxies will be on May 31, 2023. C. The Agenda of the Annual Stockholders' Meeting shall be as follows: 1. Call to Order 2. Certification of Notice and Quorum 3. Approval of the Minutes of the 2022 Annual Stockholders' Meeting 4. Presentation of the Annual Report and Approval of the 2022 Audited Financial Statements

	5. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers 6. Appointment of External Auditor and Ratification of External Auditor Fees 7. Election of the Board of Directors 8. Other Matters 9. Adjournment
March 8, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(08Mar23_Press_Release_-_SMFB_posts_P34.7_billion_record_profit_in_FY22)_.pdf	Item 9. Other Events Please see attached press release entitled: "**SMFB posts P34.7 billion record profit in FY22**".
March 16, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_News_Clarification-March_16_2023__(Online_Edition)_v2_(San_Miguel_Foods_income_up_21_to_9B_as_sales_jump).pdf	Item 9. Other Events Please see attached. (Clarification of the news article entitled: "San Miguel Foods' income up 21% to 9B as sales jump" posted in BusinessWorld (Online Edition) on March 16, 2023.)
May 2, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_News_Clarification-May_2_2023_(SMB_Profit_jumped_38_in_Q1)_05.02_.23_v2_.pdf	Item 9. Other Events Please see attached. (Clarification of the news article entitled: "SMB profit jumped 38% in Q1" posted in Inquirer.net on May 1, 2023.)
May 9, 2023 via email at ictdsubmission@sec.gov.ph	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on May 9, 2023:

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C(09May23_matters_approved_at_the_BO_mtg.)_.pdf https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C(09May23_BOD_mtg._FB_Cash_Div_._Dec_.)_.pdf	A. Upon the endorsement of the Audit Committee, the Board approved the submission of the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the period ended March 31, 2023, to the Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE), and the Philippine Depositary & Exchange Corp. (PDEx). In the first three months of 2023, the Company posted consolidated revenues of P93.2 billion, consolidated EBITDA of P17.2 billion, consolidated income from operations of P11.6 billion, and consolidated net income of P9.9 billion. B. Upon the endorsement of the Corporate Governance Committee, the Board approved the 2022 Integrated Annual Corporate Governance Report of the Company, which shall be submitted to the SEC, the PSE and the PDEx, as required, then posted on the Company's website within five business days thereafter, in accordance with the rules of the SEC and the PSE. C. The Board approved the declaration of cash dividends on the outstanding common shares (FB) of the Company as follows: Amount: P0.40 per share Record Date: May 24, 2023 Closing of Books: May 25 to 29, 2023 Payment Date: June 8, 2023 D. The Board deliberated on the results of the assessment of the members of the Audit Committee, the Related Party Transactions Committee, the Board Risk Oversight Committee, and the Corporate Governance Committee, on the performance of the said Committees for the year ended December 31, 2022. The Board further deliberated on the results of the assessment of the directors of their individual performance, as well as that of the collective Board, the Board Committees, the President of the Company, and the Board's relationship with management, for the year ended December 31, 2022.
May 9, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(09May23_Press_release_-	Item 9. Other Events Please see attached press release entitled: "SMFB reports Q1 growth amid a challenging environment".

<table>
<tr><td>_SMFB_reports_Q1_growth_amid_a_challenging_environment).pdf</td><td></td></tr>
<tr><td>June 7, 2023
via email at
ictdsubmission@sec.gov.ph

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(07Jun23_Results_of_ASM).pdf

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(07Jun23_Results_of_Orgl_BOD_mtg.)_.pdf

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(07Jun23_Appointment_of_CPN_as_LID).pdf</td><td>
Item 9. Other Events

Please be informed that at the Annual Meeting of Shareholders (the “ASM”) and Organizational Meeting of the Board of Directors (the “Board”) of San Miguel Food and Beverage, Inc. (the “Corporation”) both held on June 7, 2023:

1. Upon the favorable endorsement of the Corporate Governance Committee, the following directors were duly elected by the stockholders at the ASM, with the respective number of shares held by each in the Corporation as of June 7, 2023:

<table>
<tr><th>Name of Owner</th><th>Title of Class</th><th>Amount and Nature of Ownership</th><th>Total No. of Shares</th></tr>
<tr><td>Ramon S. Ang</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td rowspan="2">Francisco S. Alejo III</td><td>Common</td><td>10 (Direct)</td><td rowspan="2">230,010 (0.00%)</td></tr>
<tr><td></td><td>230,000 (Beneficial)</td></tr>
<tr><td>Roberto N. Huang</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Emmanuel B. Macalalag</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Ferdinand K. Constantino</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Aurora T. Calderon</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Menardo R. Jimenez</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Ma. Romela M. Bengzon</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Francis H. Jardeleza</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>John Paul L. Ang</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Ricardo C. Marquez</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Cirilo P. Noel</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Winston A. Chan</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td>Aurora S. Lagman</td><td>Common</td><td>10 (Direct)</td><td>10 (0.00%)</td></tr>
<tr><td rowspan="2">Estela M. Perlas-Bernabe</td><td>Common</td><td>10 (Direct)</td><td rowspan="2">3,010 (0.00%)</td></tr>
<tr><td></td><td>3,000 (Beneficial)</td></tr>
</table>
2. Stockholders representing at least majority of the outstanding common shares of the Corporation present in person or by proxy at the ASM, ratified the 2022 audit fees paid to the external auditor as negotiated and agreed by management with the authority of the Board.
</td></tr>
</table>

3. Upon the favorable endorsement of the Audit Committee, stockholders representing at least majority of the outstanding common shares of the Corporation present in person or by proxy at the ASM, appointed R. G. Manabat & Co. as external auditor of the Corporation for the year 2023.

4. The following key officers were duly elected by the Board at the Organizational Meeting:

Ramon S. Ang	Vice Chairperson, President and Chief Executive Officer
Francisco S. Alejo III	Chief Operating Officer – Food
Roberto N. Huang	Chief Operating Officer – Beer
Emmanuel B. Macalalag	Chief Operating Officer – Spirits
Ferdinand K. Constantino	Treasurer
Ildefonso B. Alindogan	Vice President, Chief Finance Officer and Chief Strategy Officer
Johanna Dominique G. Esteban	Internal Audit Head of the Company and its Food Division
Alexandra B. Trillana	Compliance Officer, Corporate Secretary and General Counsel of the Company and its Food Division
Ma. Celeste L. Ramos	Assistant Corporate Secretary
Kristina Lowella I. Garcia	Assistant Vice President, Investor Relations Manager and Data Protection Officer

Of such officers, the shareholdings of Messrs. Ang, Alejo, Huang, Macalalag and Constantino in the Corporation are mentioned above. The shareholdings of the other named officers as of June 7, 2023, are as below provided:

Name of Owner	Title of Class	Amount and Nature of Ownership	Total No. of Shares
Ildefonso B. Alindogan	N/A	N/A	0
Johanna Dominique G. Esteban	N/A	N/A	0
Alexandra B. Trillana	N/A	N/A	0
Ma. Celeste L. Ramos	N/A	N/A	0
Kristina Lowella I. Garcia	Common	10,000 (Beneficial)	10,000

In the same meeting, the following were elected by the Board to the Board Committees of the Corporation:

	EXECUTIVE COMMITTEE Ramon S. Ang - Chairperson Francisco S. Alejo III Roberto N. Huang Emmanuel B. Macalalag **AUDIT COMMITTEE** Cirilo P. Noel (Independent) - Chairperson Ricardo C. Marquez (Independent) Winston A. Chan (Independent) Aurora T. Calderon Ferdinand K. Constantino **RELATED PARTY TRANSACTIONS COMMITTEE** Estela M. Perlas-Bernabe (Independent) - Chairperson Cirilo P. Noel (Independent) Aurora S. Lagman (Independent) Ferdinand K. Constantino **BOARD RISK OVERSIGHT COMMITTEE** Ricardo C. Marquez (Independent) - Chairperson Winston A. Chan (Independent) Aurora S. Lagman (Independent) Menardo R. Jimenez Ferdinand K. Constantino **CORPORATE GOVERNANCE COMMITTEE** Aurora S. Lagman (Independent) - Chairperson Estela M. Perlas-Bernabe (Independent) Ricardo C. Marquez (Independent) Menardo R. Jimenez Virgilio S. Jacinto - Advisor Also in the same meeting, Mr. Cirilo P. Noel was appointed as the Lead Independent Director of the Corporation, in compliance with the new Code of Corporate Governance for Publicly-Listed Companies (the "CG Code").

	Likewise in compliance with the CG Code and the Corporation's Policy on Multiple Board Seats as reflected in its Manual on Corporate Governance, the members of the Board were reminded of their fiduciary duty to notify the Board where he or she is an incumbent director before accepting a directorship in another company. Furthermore, the Board approved the depository banks, signing authorities and limits for corporate transactions of the Corporation, subject to amendment as the need arises, for approval at subsequent Board meetings.
June 7, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(07Jun23_ASM_Canvassing_Results).pdf	Item 9. Other Events Please see attached copy of the Canvassing Results of the annual meeting of the stockholders of San Miguel Food and Beverage, Inc. held on June 7, 2023, 2:00 p.m., streamed live through: https://www.smfb.com.ph/stockholdersmeeting_2023. The Canvassing Results will also be uploaded in the Company's website and may be accessed at the link: http://www.smfb.com.ph/disclosures/l/minutes-of-annual-and-special-stockholders--meetings.
July 10, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_News_Clarification-July_10_2023_(BIR_blunder_re_SMB).pdf	Item 9. Other Events Please see attached. (Clarification of the news article entitled: "BIR blunder: Tax court orders P147 million refund to San Miguel Brewery for 'erroneous' collection".)
August 2, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(02Aug23_BOD_mtg._re_FB_Cash_Div_._Dec_.)_.pdf https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(02Aug23_BOD_mtg._re	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on August 2, 2023: 1. Upon the endorsement of the Corporate Governance Committee, the Board approved the creation of a Board Risk Oversight and Sustainability Committee in place of the current Board Risk Oversight Committee, and to appoint Justice Estela M. Perlas-Bernabe (Independent) and Ms. Aurora T. Calderon as additional members to the existing Committee membership in view of the Committee's expanded role. The new Committee is tasked to assist the Board in determining sustainable development policies, directions and strategies and in fulfilling its oversight responsibilities in relation to the Company's sustainability efforts and initiatives, as well as risk management systems.

_FB_Cash_Div_._Dec_.)_.pdf	2. Upon the endorsement of the Corporate Governance Committee, the Board approved certain amendments to its Board Diversity Policy, to incorporate relevant ESG principles and enhance the compliance by the SMC Group of Companies with various Sustainability Reporting Standards. The Board was also informed of the new policies adopted by the San Miguel Group for the same purpose, including the Code of Conduct and Ethical Business Policy that applies to SMC Group directors, officers and employees. 3. Upon the endorsement of the Audit Committee, the Board approved the submission to the SEC, the PSE and the PDEx of the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the period ended June 30, 2023. For the first half of 2023, the Company posted consolidated revenues of P184.6 billion, consolidated EBITDA of P32.3 billion, consolidated income from operations of P23 billion, and consolidated net income of P18.8 billion. 4. Upon the endorsement of the Audit Committee, the Board approved the Audit Plan for the year ending December 31, 2023, for the audit of the separate and consolidated financial statements of the Company and its subsidiaries, including audit strategies and approach, scope of work, audit focus areas and key audit matters, as presented by external auditor R.G. Manabat & Co. KPMG to the Audit Committee. Further, the Board authorized management to negotiate and agree on the audit fees payable to the external auditor based on the approved Audit Plan. 5. The Board approved the declaration of regular and special cash dividends on the outstanding common shares (FB) of the Company as follows: Amount: P0.40 per share regular cash dividend P0.55 per share special cash dividend Record Date: August 16, 2023 Closing of Books: August 17 to 23, 2023 Payment Date: September 1, 2023
August 3, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(03Aug23_Press_Release_-SMFB_reports_resilient_H1_performance).pdf	Item 9. Other Events Please see attached press release of the Company entitled **"SMFB reports resilient H1 performance amid economic headwinds"**.

<table>
<tr><td>September 8, 2023
via email at
ictdsubmission@sec.gov.ph

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificate_to_CG_Seminar_of_Justice_EPB_held_on_02Aug23).pdf</td><td>Item 9. Other Events

We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), Justice Estela M. Perlas-Bernabe, Independent Director, attended the corporate governance seminar conducted by BDO Unibank, Inc. on August 2, 2023 at the Narra Hall, BDO Towers Valero, Makati City. The seminar was accredited by the Securities and Exchange Commission in its advisement letter dated 25 July 2023 signed by Atty. Rachel Esther J. Gumtang-Remalante, Director of Corporate Governance and Finance Department.

Attached is a copy of Justice Bernabe's Certificate of Attendance, which the Company received this morning.</td></tr>
<tr><td>September 15, 2023
via email at
ictdsubmission@sec.gov.ph

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_held_on_September_8,_2023).pdf</td><td>Item 9. Other Events

We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), the following directors and officers of the Company have attended a corporate governance training seminar conducted by SGV & Co. on September 8, 2023 via Zoom.

<table>
<tr><th>Directors</th><th>Date Attended</th></tr>
<tr><td>1. Mr. Francisco S. Alejo III</td><td>September 8, 2023</td></tr>
<tr><td>2. Mr. Ferdinand K. Constantino</td><td>September 8, 2023</td></tr>
<tr><td>3. Mr. Menardo R. Jimenez</td><td>September 8, 2023</td></tr>
<tr><td>4. Justice Francis H. Jardeleza</td><td>September 8, 2023</td></tr>
<tr><td>5. Gen. Ricardo C. Marquez</td><td>September 8, 2023</td></tr>
<tr><td>6. Mr. Cirilo P. Noel</td><td>September 8, 2023</td></tr>
<tr><th>Officers</th><th>Date Attended</th></tr>
<tr><td>1. Atty. Alexandra B. Trillana</td><td>September 8, 2023</td></tr>
<tr><td>2. Atty. Ma. Celeste L. Ramos</td><td>September 8, 2023</td></tr>
<tr><td>3. Ms. Kristina Lowella I. Garcia</td><td>September 8, 2023</td></tr>
<tr><td>4. Ms. Johanna Dominique G. Esteban</td><td>September 8, 2023</td></tr>
<tr><th>Other Attendees</th><th>Date Attended</th></tr>
<tr><td>1. Ms. Elizabeth R. Bay</td><td>September 8, 2023</td></tr>
<tr><td>2. Ms. Florence P. Pavon</td><td>September 8, 2023</td></tr>
<tr><td>3. Mr. Daniel T. De Castro, Jr.</td><td>September 8, 2023</td></tr>
<tr><td>4. Ms. Rita Imelda B. Palabyab</td><td>September 8, 2023</td></tr>
<tr><td>5. Dr. Leo A. Obviar</td><td>September 8, 2023</td></tr>
<tr><td>6. Mr. Jesus M. Magtira</td><td>September 8, 2023</td></tr>
<tr><td>7. Mr. Jose Gabriel S. Cruz</td><td>September 8, 2023</td></tr>
<tr><td>8. Ms. Irene P. Pacheco</td><td>September 8, 2023</td></tr>
<tr><td>9. Mr. Judah P. Ruiz</td><td>September 8, 2023</td></tr>
<tr><td>10. Ms. Antonina A. Sio</td><td>September 8, 2023</td></tr>
</table>

Attached are the copies of their Certificates of Attendance, which the Company received this morning.</td></tr>
</table>

<table>
<tr><td></td><td></td></tr>
<tr><td>September 27, 2023
via email at
ictdsubmission@sec.gov.ph

https://www.smfb.com.ph/files/reports/SMFB_SEC_disclosure_dated_27Sep23_(Certificates_of_Attendance_to_CG_Seminar_held_on_September_20,_2023).pdf</td><td>Item 9. Other Events

We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the “Company”), the following have attended the corporate governance seminar conducted by SGV & Co. on September 20, 2023 via MS Teams.

<table>
<tr><th>Name</th><th>Position</th><th>Date Attended</th></tr>
<tr><td>1. John Paul L. Ang</td><td>Director</td><td>Sept. 20, 2023</td></tr>
<tr><td>2. Ricardo C. Marquez</td><td>Independent Director</td><td>Sept. 20, 2023</td></tr>
<tr><td>3. Ildefonso B. Alindogan</td><td>VP, Chief Finance Officer and Chief Strategy Officer</td><td>Sept. 20, 2023</td></tr>
</table>

Attached are the copies of their Certificates of Attendance, which the Company received in the afternoon of September 26, 2023.</td></tr>
<tr><td>September 27, 2023
via email at

https://www.smfb.com.ph/files/reports/SMFB_SEC_disclosure_dated_27Sep23_(Certificate_of_Attendance_to_CG_Seminar_held_on_September_20,_2023)_VSJ.pdf</td><td>Item 9. Other Events

We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the “Company”), Atty. Virgilio S. Jacinto, Advisor of the Corporate Governance Committee of the Company, attended the corporate governance seminar conducted by SGV & Co. on September 20, 2023 via MS Teams.

Attached is a copy of Atty. Jacinto’s Certificate of Attendance, which the Company received this afternoon.</td></tr>
<tr><td>October 27, 2023
via email at
ictdsubmission@sec.gov.ph

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_held_on_October_20,_2023_EBM,_ASL,_RMB,_WAC).pdf</td><td>Item 9. Other Events

We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the “Company”), the following have attended the corporate governance seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on October 20, 2023 via Zoom.

<table>
<tr><th>Name</th><th>Position</th><th>Date Attended</th></tr>
<tr><td>1. Emmanuel B. Macalalag</td><td>Chief Operating Officer – Spirits</td><td>Oct. 20, 2023</td></tr>
<tr><td>2. Aurora S. Lagman</td><td>Independent Director</td><td>Oct. 20, 2023</td></tr>
<tr><td>3. Ma. Romela M. Bengzon</td><td>Director</td><td>Oct. 20, 2023</td></tr>
<tr><td>4. Mr. Winston A. Chan</td><td>Independent Director</td><td>Oct. 20, 2023</td></tr>
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Attached are the copies of their Certificates of Attendance, which the Company received this afternoon.</td></tr>
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November 6, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(06Nov23_re_Mr._RNHuang)_1.pdf	Item 4. Resignation, Removal or Election of Registrant's Directors or Officers San Miguel Food and Beverage, Inc. (the "Company") regrets to advise of the untimely demise of Mr. Roberto N. Huang in the evening of November 4, 2023. Mr. Huang was appointed Chief Operating Officer of the Company's Beer Division on July 5, 2018. He has been an executive director of the Company since January 9, 2019 and a member of the Company's Executive Committee since February 6, 2019.
November 8, 2023 via email at ictdsubmission@sec.gov.ph https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(08Nov23_BOD_mtg._re_FB_Cash_Div_._Dec_.)_.pdf https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(08Nov23_matters_approved_at_the_BOD_mtg.)_.pdf	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on November 8, 2023: 1. Upon the endorsement of the newly constituted Board Risk Oversight and Sustainability Committee, the Board approved the Charter of the said Committee in place of the current Charter, to incorporate the Committee's additional sustainability-related duties and responsibilities. A copy of the approved Charter will be available in the Corporate Governance page of the Company's website, for reference. The Board also approved updates to the Committee's annual Self-Assessment Worksheet to reflect these new functions. 2. Upon the endorsement of the Audit Committee, the Board approved the submission to the SEC, the PSE and the PDEx of the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the period ended September 30, 2023. For the first nine months of 2023, the Company posted consolidated revenues of P276.7 billion, consolidated EBITDA of P48.3 billion, consolidated income from operations of P34.7 billion, and consolidated net income of P27.5 billion. 3. The Board approved the declaration of cash dividends on the outstanding common shares (FB) of the Company as follows: Amount: P0.40 per share regular cash dividend P0.55 per share special cash dividend Record Date: November 22, 2023 Closing of Books: November 23 to 27, 2023 Payment Date: December 7, 2023 4. In connection with the annual performance assessment of the Board and its Committees, the Compliance Officer reported that the 2023 Board Internal Self-Rating Form (together with the policy, procedures and criteria for the assessment) and 2023 Committee Self-Assessment Worksheets will be sent to the directors and members of the Audit Committee, Board Risk Oversight and Sustainability Committee, Corporate Governance Committee and Related Party Transactions Committee, for them to accomplish. Copies of the form and worksheets will be available in the Corporate Governance page of the Company's website, for reference.

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The directors and Committee members were requested to return the accomplished forms and worksheets to the Office of the Compliance Officer on or before December 7, 2023.

5. The Board approved the dates for the 2024 Board of Directors' and Committee meetings, as well as the Annual Stockholders' Meeting (ASM) of the Company. The ASM is scheduled on June 5, 2024, the first Wednesday of June, in accordance with the Company's By-laws. Stockholders who wish to propose the inclusion of additional items to the usual Agenda of the ASM and/or nominate candidates to the Board, may submit their proposals not later than January 31, 2024 to the Corporate Secretary at the 4th Floor, 100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City 1604, Metro Manila, for the consideration of the Chairman and the appropriate Board Committees.

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November 8, 2023
via email at
ictdsubmission@sec.gov.ph

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(08Nov23_Press_Release_for_3Q23).pdf

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Item 9. Other Events

Please see attached press release of the Company entitled **"SMFB's strong first nine months performance defy economic headwinds"**.

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November 17, 2023
via email at
ictdsubmission@sec.gov.ph

https://www.smfb.com.ph/files/reports/SMFB_SEC_Form_17-C_(Certificates_to_CG_Seminar_held_on_November_10,_2023_RSA,_FKC,_ATC).pdf

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Item 9. Other Events

We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), the following have attended the corporate governance seminar conducted by Center for Global Best Practices on November 10, 2023 via Zoom.

<table>
<tr><th>Name</th><th>Position</th><th>Date Attended</th></tr>
<tr><td>1. Ramon S. Ang</td><td>Director, Vice Chairman, President and Chief Executive Officer</td><td>November 10, 2023</td></tr>
<tr><td>2. Ferdinand K. Constantino</td><td>Treasurer, Director</td><td>November 10, 2023</td></tr>
<tr><td>3. Aurora T. Calderon</td><td>Director</td><td>November 10, 2023</td></tr>
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Attached are the copies of their Certificates of Attendance, which the Company received this morning.

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ANNEX H: SUSTAINABILITY REPORT

Contextual Information

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

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

Materiality Process

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

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

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

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

Our 2022 Materiality Assessment Process

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

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

Our Material Topics

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

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

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

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

[1] *Figures can be cross-checked with the Company's 2023 Audited Financial Statements.*

Impacts and Risks

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

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

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

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

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

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

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

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

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

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

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

Management Approach for Impacts and Risks

The Group operates in a competitive environment. In the food and beverage industry, competitive factors generally include price, product quality, brand awareness, distribution coverage, customer service and the ability to effectively respond to ever-changing shifts in consumer tastes and preferences. Competition also includes other discretionary items, including food and beverage products not carried by the Group and other goods and services.

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

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

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

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

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

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

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

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

Opportunities and Management Approach

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

Procurement Practices

Proportion of spending on materials from local suppliers

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

Impacts and Risks

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

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

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

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

Management Approach for Impacts and Risks

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

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

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

Opportunities and Management Approach

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

Anti-Corruption

Training on Anti-corruption Policies and Procedures[1]

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

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

[2] *SMFB Directors and Management separately attended Corporate Governance Seminars in 2023.*

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

Incidents of Corruption[1]

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

[1] *The Company is not involved in any current proceedings, litigations, claims, or arbitration that would materially affect its financial position or those of its subsidiaries or affiliates.*

Impacts and Risks

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

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

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

Management Approach for Impacts and Risks

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

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

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

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

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

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

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

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

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

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

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

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

Opportunities and Management Approach

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

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

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

Anti-Corruption and Sanctions Compliance Policy

https://www.smfb.com.ph/files/reports/SMFB_Anti-Corruption_and_Sanctions_Policy_.pdf

Code of Business Conduct and Ethics

https://www.smfb.com.ph/files/reports/SMFB_Code_of_Business_Conduct_and_Ethics_3.pdf

Manual on Corporate Governance

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

Policy on Conflict of Interest

https://www.smfb.com.ph/files/reports/Conflict_of_Interest.pdf

Policy on Securities Dealing

https://www.smfb.com.ph/files/reports/Policy_on_Securities_Dealing.pdf

Policy on Related Party Transactions

https://www.smfb.com.ph/files/reports/SMFB_Related_Party_Transactions_Policy.pdf

Group Policy on Solicitation or Acceptance of Gifts

https://www.smfb.com.ph/files/reports/Group_Policy_on_Solicitation_or_Acceptance_of_Gifts.pdf

Whistle Blowing Policy

https://www.smfb.com.ph/files/reports/SMFB_Amended_Whistleblowing_Policy.pdf

ENVIRONMENT

Resource Management

Energy Consumption Within the Organization

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

Reduction of Energy Consumption[1]

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

[1] *Accounts for projects newly-implemented within the reporting year*

Impacts and Risks

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

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

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

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

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

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

Management Approach for Impacts and Risks

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

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

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

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

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

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

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

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

Opportunities and Management Approach

The Group continues to monitor and analyze its energy consumption to identify opportunities for innovation and further improve energy efficiency. This includes investment in more energy efficient machinery and equipment and shifting to new processes when necessary. There are also studies on the feasibility of co-locating business segments, as well as continued review of nearest farm-to-plant routes. There are also intentions to invest in more renewable energy sources, such as solar and wind, to further decrease reliance on non-renewable energy.

Water Consumption Within the Organization

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

[1] *Excludes water passing through Angat Hydro Power Plant*

Impacts and Risks

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

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

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

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

Management Approach for Impacts and Risks

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

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

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

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

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

Opportunities and Management Approach

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

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

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

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

Materials Used by the Organization

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

Impacts and Risks

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

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

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

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

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

Management Approach to Impacts and Risks

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

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

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

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

The Group recognizes that the production of packaging materials, in whatever form, uses resources like energy, water, chemicals, and petroleum. The manufacture of such packaging materials often generates air emissions, wastewater, and other by-products. As part of its commitment to the environment, the Group has helped reduce packaging wastes by reusing certain materials such as glass bottles, pallets, and plastic crates. For example, SMB has long maintained its returnable glass bottle (RGB) system and GSMI has been increasing the footprint of its bottle retrieval network. For SMB, given its nationwide distribution network and the nature of its business, the RGBs naturally flow back into the system and are reused for approximately 5 to 10 years, depending on the condition of the bottles. GSMI also uses second-hand bottles that are sourced through its bottle retrieval program.

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

Opportunities and Management Approach

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

Ecosystems and Biodiversity

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

Impacts and Risks

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

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

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

Management Approach to Impacts and Risks

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

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

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

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

Opportunities and Management Approach

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

Environmental Impact

Air Emissions

GHG

Disclosure	2023	2022	Unit
Direct (Scope 1) GHG Emissions	308,762	263,489	Tonnes carbon dioxide equivalent (CO2e)
Energy indirect (Scope 2) GHG Emissions	345,244	320,953	Tonnes CO2e
Emissions of ozone-depleting substances	0	0	Tonnes CO2e

Impacts and Risks

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

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

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

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

Management Approach to Impacts and Risks

According to a document prepared by the USAID under the Climate Change Adaptation, Thought Leadership and Assessments on climate risk issues, the Philippines is highly vulnerable to the impacts of climate change such as rising sea levels, frequency of extreme weather events, record temperatures, and extreme rainfall. This is a result of the country's high exposure to natural hazards (landslides, floods, droughts, etc.), dependence on climate-sensitive natural resources, and vast coastlines that are densely populated and in close proximity to major cities.

With this in mind, SMFB seeks to uphold its responsibility as a good corporate citizen by managing GHG emissions. A good example is DBI's reduction of GHG emissions through lesser consumption of fossil-derived liquid fuel. While combustion of biogas and liquid fuels still have emissions, DBI's generation of biogas greatly reduces its use of petroleum fuels. DBI is also able to reduce its emissions through capturing biogenic carbon dioxide (CO2) gas that is a by-product of fermentation in alcohol-making. This gas is further processed into liquid CO2 and utilized by beverage industries producing carbonated drinks.

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

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

Opportunities and Management Approach

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

For example, the distillery of the Spirit's business is able to reduce its GHG emissions through lesser consumption of fossil-derived liquid fuel. While combustion of biogas and liquid fuels still has emissions, the distillery's generation of biogas greatly lessens its use of petroleum fuels. It is also able to reduce its emissions through capturing biogenic carbon dioxide (CO2) gas that is a by-product of fermentation in alcohol-making. This gas is further processed into liquid CO2 that is utilized by beverage industries producing carbonated drinks.

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

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

Air Pollutants

Disclosure	2023	2022	Unit
NO_x	223	118	MT
SO_x	870	673	MT
Persistent Organic Pollutants (POPs)	0	0	MT
Volatile Organic Compounds (VOCs)	0	0	MT
Hazardous Air Pollutants (HAPs)	0	0	MT
Particulate Matter (PM)	105	73	MT
Carbon Monoxide (CO)	997	104	MT

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

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

Impacts and Risks

Air pollutants, such as NO_x and SO_x emissions originate as products of combustion that accompany power generation. These emissions have been proven to contribute to the impaired quality of the environment. In addition, these substances are known to cause respiratory effects, as well as acidic deposition that affect vegetation, soil, and surface waters.

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

Management Approach to Impacts and Risks

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

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

Opportunities and Management Approach

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

Solid and Hazardous Wastes

Solid Waste

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

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

Impacts and Risks

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

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

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

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

Management Approach to Impacts and Risks

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

Initiatives to reduce solid wastes include:

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

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

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

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

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

Opportunities and Management Approach

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

Hazardous Waste

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

Impacts and Risks

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

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

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

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

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

Management Approach to Impacts and Risks

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

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

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

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

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

Opportunities and Management Approach

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

<u>Effluents</u>

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

Impacts and Risks

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

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

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

Management Approach to Impacts and Risks

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

Opportunities and Management Approach

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

Environmental Compliance

Non-compliance with Environmental Laws and Regulations

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

Impacts and Risks

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

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

Management Approach to Impacts and Risks

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

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

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

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

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

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

Opportunities and Management Approach

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

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

https://www.smfb.com.ph/files/reports/SMFB_Environment_Policy.pdf

SOCIAL

Employee Management

<u>Employee Hiring and Benefits</u>
Employee Data

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

Employee Benefits

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

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

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

Diversity and Equal Opportunity

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

Number of employees from indigenous communities and/or vulnerable sector[1]	Not being tracked at the moment	headcount

[1] *Systems will be put in place for data gathering in subsequent reporting cycles.*

Impacts and Risks

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

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

Management Approach to Impacts and Risks

On Employee Hiring and Benefits, Diversity and Equal Opportunity

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

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

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

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

In 2023, SMFB adopted the San Miguel Group's Diversity, Equity and Inclusion Policy by expressly and consciously advocating an inclusive organization representative of all sectors of the society. The objective of the Policy is to promote an equal and inclusive workplace, respect diversity, and accept differences in order to attract and retain skilled employees, enhance productivity, and foster loyalty and unity within the organization.

In the Policy relating to Health, Safety, and Welfare, SMFB and majority of its subsidiaries have funded, non-contributory, defined benefit retirement plans covering all of their permanent employees (collectively, the “Retirement Plans”). These Retirement Plans pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The relevant annual contribution of the Group to the Retirement Plans consists of payments covering the current service cost and amortization of unfunded past service liability.

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

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

Opportunities and Management Approach

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

Employee Training and Development

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

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

Impacts and Risks

SMFB believes that employee training and development are essential to organizational excellence. It has made a significant commitment to provides avenues for employees to realize their full potential. Professional growth in their careers can be attained through formal trainings, opportunities for further education, and other alternative approaches. Through these initiatives, employees become more capable in their tasks, and their productivity and efficiency in technical aspects and soft skills are improved.

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

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

Management Approach to Impacts and Risks

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

In this regard, various structured in-house and external trainings are provided to employees. In-house programs include the San Miguel School of Brewing, which offers various programs spanning all levels of professional brewing technical training, from the basic brewing course for newly-hired employees to the advance brewing course for senior technical employees and highly advanced classes necessary to produce brew masters. The San Miguel Foods University, on the other hand, offers courses on leadership and management, sales, logistics, poultry and livestock slaughtering, and feed milling, among others. A training program on sensory skills development and critical processes for liquor manufacturing is also provided for employees of the Spirits business.

Talent development is strengthened by ensuring that individual development plans of employees are defined and anchored on performance and competency gaps, and that these plans are implemented.

In addition, development of high-potential/high-performing employees is pursued via fast-track learning through advanced programs, deliberate movements, coaching and mentoring, and participation in centerpiece projects.

The learning landscape of the Group changed as a result of the COVID-19 pandemic, adopting fully-digitized approaches to recreate in-person learning and training programs through live video and social sharing via online platforms such as Zoom and Microsoft Teams. More recently, however, the Group resumed full face-to-face programs, subject to certain protocols.

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

Opportunities and Management Approach

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

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

Labor-Management Relations

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

Impacts and Risks

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

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

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

Management Approach to Impacts and Risks

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

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

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

Opportunities and Management Approach

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

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

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

https://www.smfb.com.ph/files/reports/SMFB_Freedom_of_Association_Policy_.pdf

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

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

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

Impacts and Risks

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

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

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

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

Management Approach to Impacts and Risks

All industries have potential safety hazards. As a matter of policy, the Group strives to identify these hazards and ensures that employees have the training, safety equipment, and other resources necessary to work safely. The Group recognizes that failure to implement effective policies and precautions can lead to injuries, reduced productivity due to absence or loss of skilled labor, and possible penalties imposed by relevant government agencies, among others.

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

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

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

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

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

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

a. All facilities have clinics that provide medical consultation and diagnostic services, and dispense accredited doctor-prescribed medicines;

b. Admission at accredited hospitals for employees with sick leave credits;

c. Annual Health and Wellness Day, where the Group provides free disease screening, consultation, discounted vaccines/immunization, and various fitness activities for employees and their dependents;

d. Well-being events and other seminars or workshops, as well as information campaigns on health awareness and disease prevention;

e. Sports and aerobics;

f. Employee bonding initiatives such as team building, summer outings and Christmas parties;

g. Formation of Health and Safety Committee tasked to lead in the risk and hazard assessment and eradication in the workplace;

h. Activation of Emergency Response Teams that are trained to lead during emergency situations like fires and earthquakes;

i. Annual conduct of fire and earthquake drills;

j. Facilities and offices have been awarded with Safety Seal Certifications from the Department of Labor and Employment or their respective local government units; and

k. Conduct of regular reviews and audits to identify potential hazards and proactively address all issues immediately.

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

Opportunities and Management Approach

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

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

Labor Laws and Human Rights

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

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

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

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

		“We shall provide a workplace free of harassment, discrimination, harsh and inhumane treatment.”

Impacts and Risks

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

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

Management Approach to Impacts and Risks

SMFB’s company policies, particularly, the Policy on Child and Forced Labor, Anti-Sexual Harassment Policy, and Diversity, Equity and Inclusion Policy, as well as the Code of Business Conduct and Ethics prohibit forced/involuntary labor and child labor and promote a workplace free of harassment, discrimination, and harsh and inhumane treatment. Any abusive behavior such as sexual harassment, corporal punishment, mental or physical coercion, or verbal abuses or threats among workers is not tolerated. Discrimination for reasons of race, age, gender, gender-orientation, ethnicity, disability, religion, political affiliation, union membership or marital status is not condoned.

The Group complies with applicable wage laws and regulations governing employment, including minimum wage, overtime hours, and mandated labor benefits.

Opportunities and Management Approach

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

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

https://www.smfb.com.ph/files/reports/SMFB_Policy_on_Child_and_Forced_Labor_.pdf

https://www.smfb.com.ph/files/reports/SMFB_Anti_Sexual_Harassment_Policy.pdf

https://www.smfb.com.ph/files/reports/SMFB_Diversity_Policy_.pdf

https://www.smfb.com.ph/files/reports/SMFB_Code_of_Business_Conduct_and_Ethics_3.pdf

Supply Chain Management

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

While the SMC Group has a group-wide supplier accreditation policy and observes a common procedure to implement such policy, it will not be disclosed as it is considered a trade secret, proprietary to the Group and thus highly confidential. The supplier accreditation policy demands that a potential supplier meets certain qualification criteria and abides by statutory requirements as well as standards set by the concerned company within the SMC Group. Each supplier contract contains an undertaking to adhere to applicable laws, which include but are not limited to laws relating to forced labor, child labor, human rights, bribery, and corruption.

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

Do you consider the following sustainability topics when accrediting suppliers?

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

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

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

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

Impacts and Risks

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

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

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

Management Approach to Impacts and Risks

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

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

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

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

Opportunities and Management Approach

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

Relationship with Community

Significant Impact on Local Communities

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

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

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

SMB's Relief Operations	Various Locations	Not applicable	No	Provides relief operations for communities affected by various calamities such as volcano eruptions, storms, floods, etc.	Reduce the suffering of those affected and help enable communities to restart normal life more quickly
SMF's sustainable sourcing program of agri-based raw materials: An initiative to ensure sustainable supply of strategic agricultural raw materials at low delivery cost, while providing livelihood opportunities in the countryside. Its main features are: - Guaranteed market for farmers, with purchase agreement. - Guaranteed floor price or SMF-approved buying price at the time of delivery, whichever is higher. - Planting material support for start-ups. - Technical support for farmers for proper crop production management.	The program is present in 28 provinces, nine of which are part of the Department of Agriculture's 2019 list of 20 poorest provinces. **Luzon** - Apayao - Ifugao - Cagayan - Isabela - Nueva Ecija - Pampanga - Quirino - Tarlac - Batangas - Occidental Mindoro - Masbate - Camarines Sur **Visayas** - Cebu - Eastern Samar - Leyte - Negros Occidental - Negros Oriental **Mindanao** - Zamboanga del Norte - Zamboanga del Sur	The program benefits local farmers, indigenous people of Mindoro	No known negative impact to indigenous people	No individual or collective rights are threatened or are of particular concern for the community.	SMF has enhanced the payment processing to a cycle period of 5 days compared to a regular 30 days payment period with other vendors or suppliers

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

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

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

	City, Albay; Mandaue City, Cebu; Bago City, Negros Occidental				engagement with communities

** Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

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

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

Impacts and Risks

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

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

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

Management Approach to Impacts and Risks

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

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

Opportunities and Management Approach

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

CUSTOMER MANAGEMENT

Customer Satisfaction

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

Impacts and Risks

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

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

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

Management Approach to Impacts and Risks

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

The Group believes that, given its history in the industry and leading market share in several product categories, it is constantly in tune to market trends. These trends are used as basis for new products, marketing, and distribution programs, among others. The Group implements various initiatives to communicate with its markets such as focus group discussions and workshops.

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

Opportunities and Management Approach

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

<u>Health and Safety</u>

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

Impacts and Risks

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

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

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

Management Approach to Impacts and Risks

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

- Food Safety Systems Certification (FSSC) 5.1, the highest food safety standard
- ISO 22000 (Food Safety Management Systems),
- ISO 9001:2015 (Good Feed Milling Practices),

- ISO/IEC 17025:2005 (Laboratory Accreditation Program),
- Good Manufacturing Practices, and
- Hazard Analysis and Critical Control Points.

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

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

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

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

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

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

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

Opportunities and Management Approach

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

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

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

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

Marketing and Labelling

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

Impacts and Risks

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

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

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

Management Approach to Impacts and Risks

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

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

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

Opportunities and Management Approach

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

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

Customer Privacy

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

Impacts and Risks

SMFB engages with its stakeholders in virtually every aspect of its business operations and business transactions. For example, the various marketing groups across each business invest in market research surveys to gauge market reception of its products. Another example is the Group's sales teams that communicate with their respective dealers and distributors frequently to more accurately assess demand for its products.

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

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

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

Management Approach to Impacts and Risks

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

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

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

Opportunities and Management Approach

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

Data Security

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

Impacts and Risks

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

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

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

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

Management Approach to Impacts and Risks

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

These policies on information security focus on the protection of information from unauthorized access to or modification of data, whether in storage, during processing or while in transit. There are also protective measures implemented to detect and counter threats. All employees, consultants and contractors of the SMC Group are expected to abide by the information security policies and the acceptable use guidelines for all equipment and other related data that have been entrusted to them in their respective lines of work.

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

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

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

https://www.smfb.com.ph/files/reports/SMFB_DataPrivacyPolicy1.pdf

Opportunities and Management Approach

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

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

Links:

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

Code of Business Conduct and Ethics:
https://www.smfb.com.ph/files/reports/SMFB_Code_of_Business_Conduct_and_Ethics_3.pdf

Charter of the Board of Directors:
https://www.smfb.com.ph/files/reports/SMFB_Charter_of_the_Board_of_Directors.pdf

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

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

OUR SUSTAINABILITY FRAMEWORK

Sustainability Framework

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

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

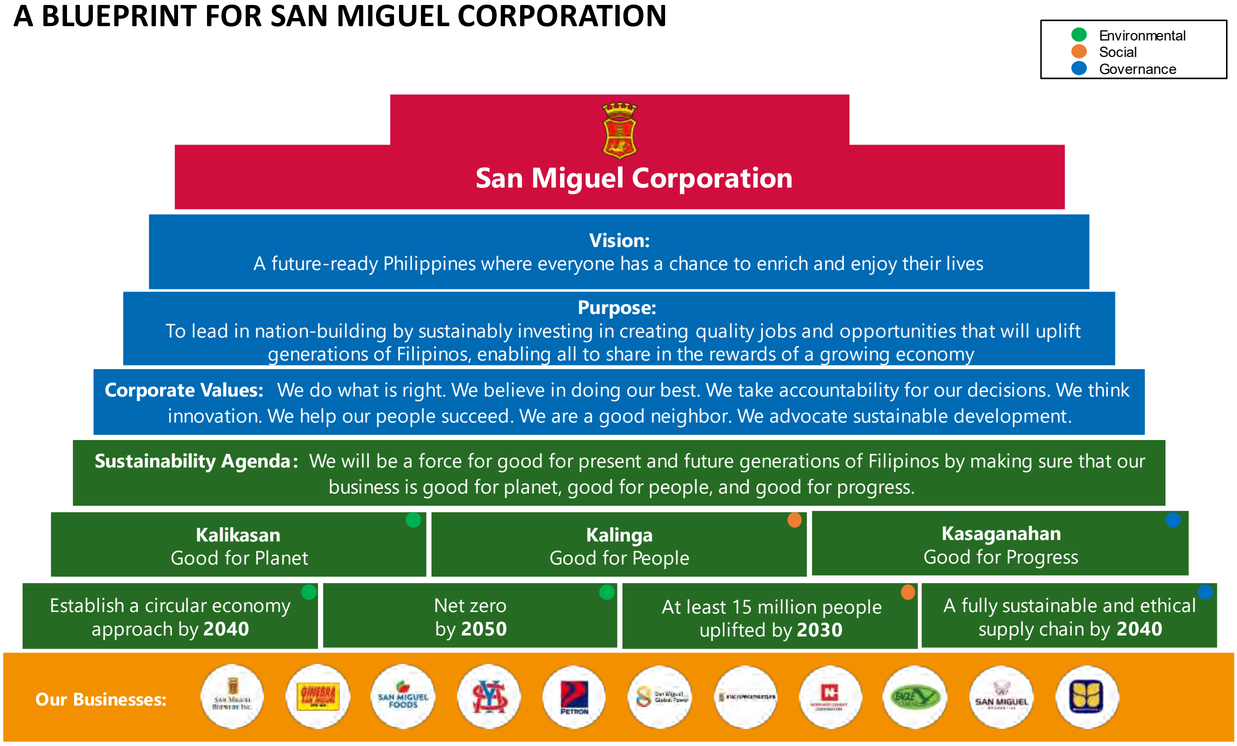
Vision and Core Purpose

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

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

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

A BLUEPRINT FOR SAN MIGUEL CORPORATION



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

SUSTAINABILITY HIGHLIGHTS

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

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

	moderate to severe food insecurity during the pandemic. SMF is able to contribute to food security by producing food products that are nutritious, reasonably priced and accessible to consumers nationwide. These are even made more accessible to consumers during the pandemic through its community resellers program. The National Nutrition Survey also conducted by FNRI in 2018 revealed the prevalence of Vitamin A deficiency and anemia among children, pregnant and lactating women. The same survey showed that only 21.8% and 55.1% of Filipino households are able to meet 100% of the energy and protein requirements, respectively. SMF products, specifically its flour, premixes, margarine and cheese products, have been fortified with Vitamin A and iron. Some of its processed meats have also been fortified with Vitamin A, B1, B6, B12 and Vitamin D. Its dairy products are natural sources of calcium while its brown eggs have lutein, selenium and Vitamin A. SMF has a wide array of protein rich products such as chicken, other fresh meats, processed meats and plant-based meats which can well meet these nutritional deficiencies.	to high blood pressure, heart disease and stroke.	recommended by the World Health Organization of 2,000 mg/day. In 2020, SMF started the Sodium Reduction Program in an effort to lower the sodium content of its processed meats products.

	This program is aligned with Sustainable Development Goals		
San Miguel Foods	As part of its least cost production strategy, SMF initiates value recovery from the by-products of its poultry operations. By-products, such as feather meal, are converted and recycled as feed ingredients. This enables SMF to follow a closed loop production system, providing SMF with significant savings from waste reduction and wastewater treatment of organic load. This practice has reduced the amount of solid wastes entering the waste stream. **This program is aligned with Sustainable Development Goals**	Rendering of by-products causes air pollution.	SMF uses enzymes to eliminate the odor emitted upon rendering of by-products
San Miguel Foods	As part of expanding and innovating its portfolio, SMF has recently ventured into plant-based meat dishes under the brand *Veega*, which is primarily made of mushroom, wheat and soy. Promotion of plant-based meats is said to be more favorable for the environment as it shifts production away from animal raising which	As plant-based meats try to mimic conventional meats, sodium is an essential ingredient for flavoring, which if taken in excess, could lead to high blood pressure, heart disease and stroke.	SMF has exercised transparency in its ingredients and is compliant with all existing consumer protection laws. For its processed meats products, SMF provides a recommended serving size that considers the sodium threshold recommended by the World Health

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

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

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

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

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

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

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

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