Re: Ginebra San Miguel Inc. (SEC Registration No. 142312)_SEC Form 17-A with Sustainability Report_13April2022

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Wed 4/13/2022 4:36 PM

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Thank you and keep safe.

COVER SHEET

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S. E. C. Registration Number

G	I	N	E	B	R	A													
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(Company's Full Name)

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

FRANCIS JOSEPH A. CRUZ
Contact Person

8841-5100
Company Telephone Number

1	2

Month

3	1

Day

SEC Form 17-A
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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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 fiscal year ended December 31, 2021.

2. SEC Identification Number 142312 3. BIR Tax Identification No. **000-083-856-00**

4. Exact name of issuer as specified in its charter **GINEBRA SAN MIGUEL INC.**

5. **Philippines** 6. _________ (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. **3rd & 6th Floors, San Miguel Properties Centre** **1550**
St. Francis Street, Ortigas Center **Postal Code**
Mandaluyong City, Philippines
Address of principal office

8. **(632)** 8841-5100
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	**Number of Shares of Stock Outstanding and Outstanding Debt as of December 31, 2021**
Common	286,327,841
Preferred	-
	286,327,841
Short term borrowings	none
Long term borrowings	330,847,032

11. Are any or all of these 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**

12. Check whether the issuer:

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

Yes [√]   No [ ]

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

Yes [√]   No [ ]

13. The aggregate market value of the common voting stock held by non-affiliates of the Company as of December 31, 2021 and March 31, 2022 were at 7,840,341,015.80 and 7,649,652,801.00, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are incorporated by reference:

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

Ginebra San Miguel Inc. (the “Company” or “GSMI”) was formed on July 10, 1987 as the legal entity for the acquisition by San Miguel Corporation (“SMC”) of the production assets of a liquor production company that has been in operation since 1902. The Company now operates three (3) liquor bottling facilities located in the following areas: (1) Mandaue City, Cebu; (2) Sta. Barbara, Pangasinan; and (3) Cabuyao, Laguna.

The Company is a public company under Section 17.2 of the Securities Regulation Code and its common shares are listed with The Philippine Stock Exchange, Inc. (the “PSE”).

The (“Company” or “GSMI”), previously a majority-owned direct subsidiary of San Miguel Corporation (“SMC”), whose ultimate parent company is Top Frontier Investment Holdings, Inc. (“Top Frontier”), has been engaged in the manufacture and sale of liquor products. The Company by itself, or through its subsidiary, also toll-manufactures for third parties for the production of the latter’s alcoholic and non-alcoholic beverages.

In order to rationalize its businesses, SMC consolidated its food and beverage business under San Miguel Food and Beverage, Inc. (“SFMB”, formerly San Miguel Pure Foods Company, Inc.) through the execution of a Deed of Exchange dated April 5, 2018, executed between SMC and SMFB, whereby SMC agreed to convey and transfer to SMFB 216,972,000 common shares held by SMC in the Company and 7,859,319,270 common shares in San Miguel Brewery Inc. In consideration of the said transfer and upon compliance with government requirements, SMFB issued 4,242,549,130 common shares in favor of SMC. Consequently, the ownership by SMFB of the common shares previously held by SMC in the Company has been registered in the books of the Company on November 5, 2018. Thus, the Company is now a majority-owned subsidiary of SMFB.

Domestic Subsidiaries and Operations

Of the Company’s domestic subsidiaries, the operating ones are Distileria Bago, Inc. (“DBI”), East Pacific Star Bottlers Phils Inc. (“EPSBPI”) and Agricrops Industries Inc. (“Agricrops”), hereinafter collectively referred to as the “Domestic Operating Subsidiaries”.

DBI became a wholly-owned subsidiary of the Company in 1996. On August 14, 2009, DBI amended its Articles of Incorporation to include among its primary purposes, the manufacture, production and tolling of not only distilled alcohol but also other types of alcohol and their by-products. It owns a distillery located in Bago City, Negros Occidental that converts sugar cane molasses into alcohol.

EPSBPI, on the other hand, is principally engaged in the toll-manufacture and bottling of alcoholic and non-alcoholic beverages. It was purchased by the Company on January 27, 2012. The acquisition forged synergies with the Company’s on-going operations and provided additional capacity for the expansion plans of the Company. EPSBPI owns bottling facilities in Cauayan, Isabela and in Ligao City, Albay, which are currently being used principally in connection with the Company’s liquor business.

Agricrops was incorporated on September 14, 2000. It is currently primarily engaged in the manufacture, sale and distribution of organic fertilizer from various agro-industrial waste.

The Company has other non-operating domestic subsidiaries, which are Healthy Condiments, Inc. and Crown Royal Distillers, Inc.

International Subsidiaries/Affiliates and Operations

To fast-track entry into regional markets, the Company in November 2004 entered into a Share Purchase Agreement (“SPA”) with the Thai Life Group of Companies (the “Thai Life”) for the purchase of 40% ownership of the outstanding shares of C.N.T. Wine and Liquor Company Limited ("CNT"), a limited company organized under the laws of Thailand. CNT possesses 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. Also, on the same date, the Company and Thai Life entered into a Joint Venture Agreement ("JVA"). The JVA established the terms and conditions regarding the ownership and operation of CNT and the joint control rights, obligations and responsibilities of the Company and Thai Life, as stockholders. The Company likewise incorporated Ginebra San Miguel International Ltd. ("GSMIL") and subsequently assigned its rights and obligations under the SPA and the JVA to GSMIL, including its right to purchase 40% ownership of the outstanding shares of CNT. The acquisition of CNT was completed in December of the same year. CNT was later renamed Thai San Miguel Liquor Company Limited ("TSML").

On June 29, 2007, the Company incorporated GSM International Holdings Limited ("GSMIHL"), a wholly-owned subsidiary in Thailand. GSMIHL holds 40% of the shares of Thai Ginebra Trading Company Limited ("TGT"), another joint venture company formed with Thai Life. TGT functions as the selling and distribution arm of TSML.

On August 27, 2008 and September 11, 2008, the Company incorporated Global Beverages Holdings Limited ("GBHL") and Siam Holdings Limited ("SHL"), respectively, as its wholly-owned subsidiaries. Both are entities established as holding companies for the acquisition of additional investment in TSML and TGT.

On October 14, 2008, SHL acquired 49% ownership of the outstanding shares of Siam Wine and Liquor Limited ("SWL"), a limited company organized under the laws of Thailand. On the same date, SWL acquired 10% ownership of the outstanding capital stock of TSML and TGT. Accordingly, the share in TSML and TGT of the Company and its subsidiaries was increased from 40% to 44.9%.

The Company and its subsidiaries, domestic and otherwise, and their respective interests in joint ventures shall be collectively referred to as "Group". Interests in joint venture is limited to the amount of investment and equity in net earnings only.

Other than the foregoing, there was no bankruptcy, receivership or similar proceeding or material reclassification, merger, consolidation, purchase or sale of a significant amount of assets by the Group which was not in the ordinary course of business during the past three (3) years. Other developments are also discussed in the Management Discussion and Analysis attached hereto as **Annex "C"**.

Products

Products and operations of the Group are further discussed in the Management's Discussion and Analysis attached as **Annex "C"**.

The Company's products are listed in **Annex "A"** of this report.

The Company has a diverse product portfolio that caters to the varied preference of the local market. Core brands Ginebra San Miguel and Vino Kulafu, the leading brands in the gin and Chinese wine categories, respectively, combined for 94% of the Group's total revenues. The other products that complete the liquor business of the Group comprise about 6% of its total revenues. These products are available nationwide while some are exclusively exported to select countries.

Distribution methods of the products

The Company primarily distributes majority of its products nationwide to consumers through territorial distributorship by a network of dealers and through the Company's 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 the Company through its Key Accounts Group. The Company has ninety-one (91) dealer sites who are responsible for distributing and selling the Company's products within a geographical area consisting of specified outlets and twelve (12) sales offices as of year-end

2021. For areas where there are no appointed dealers, the Company's sales offices directly serve the wholesalers or retailers. Recently, the Company has also made its products available in popular e-commerce selling platforms to further widen distribution reach and channel.

Meanwhile, the Logistics Group of the Company 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 Company-owned routing trucks are generally utilized for directly-served outlets. The Company also engages third-partly service providers to handle warehouse management and delivery to various destination points as the need arises.

Status of any publicly-announced new products

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

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

Competition

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

Preference in Visayas and Mindanao shifted to Tanduay Rhum Dark 5 Years, a product of Tanduay Distiller's Inc. Moreover, there is a significant market for Chinese wine coming from various islands in the region with Vino Kulafu of GSMI remains 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. The Company effectively takes the lead as it continues to build upon the brand legacy that it has established in over a hundred years of operation thru effective advertising and promotional programs.

Even as the industry continues to evolve, major players also compete by adopting a product portfolio that potentially caters to shifting consumer preferences. The Company is very receptive to these shifts, which, coupled with the Company's ample resources, enables it to develop and mobilize new product variants for consumers to keep up with competition.

The highly elastic demand for mainstream liquor products also leads major players to compete on the basis of pricing. In this area, the Company employs rational pricing policies that are in line with prevailing consumer purchasing power and current operating cost levels. Also, the Company ensures that its products provide utmost value for money to its consumers.

The liquor industry is dependent on the supply of molasses, the raw material for alcohol production. While the molasses supply has remained stable, the steady increase in demand for fuel alcohol since the implementation of the Biofuel Act of 2006 has resulted in a deficiency of supply for beverage alcohol production. To augment the shortage, the Company has resorted to the importation of beverage alcohol from neighboring countries given that ASEAN countries are exempted to pay tariff or custom duty under the Common Effective Preferential Tariff scheme for imports and exports between members.

Liquor 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. The Company continues to implement strategies to maximize the retrieval of its second-hand bottles, the usage of which in production, may result to significant improvements in the Company's cost structure.

Lastly, manufacturers compete in the breadth of their distribution network. The Company's distribution network of ninety-one (91) dealer sites, twelve (12) sales offices, three (3) Company-owned liquor bottling plants and two (2) subsidiary-owned bottling plants are strategically dispersed throughout the country, ensuring that consumers are immediately served with high-quality liquor products.

Raw Materials and Supplies

The Company uses the following materials in its products:

A. Alcohol

The alcohol used in the Company's products is distilled alcohol produced from the fermentation of molasses which is a by-product in the manufacture of raw sugar from sugarcane. Generally, the Company purchases molasses from Philippines (particularly in Negros), Thailand, Indonesia and India, which is then delivered to its wholly-owned subsidiary, DBI, in Negros Occidental. After converting the molasses into alcohol, DBI then delivers the distilled alcohol back to the Company's facilities as part of the raw materials for liquor. The Company pays a corresponding fee to DBI in the toll-processing of the Company's molasses.

To ensure that the supply of alcohol is secured, the Company keeps optimum physical inventory in storage and engages in purposive multi-continent sourcing. The Company sources its total alcohol requirement from DBI and other domestic and foreign open markets. Of its total alcohol usage in 2021, 39% came from DBI.

B. Sugar

The Company uses sugar in the production of its products. Majority of the Company's sugar requirements are sourced from All Asian Countertrade, Inc.

C. Flavoring

Gin essences and other flavoring agents are used in the production of gin. In 2021, the Company purchased ingredients mainly from the following suppliers: Firmenich Asia PTE LTD, Symrise Asia Pacific PTE LTD and Givaudan Singapore PTE LTD.

D. Bottles

The Company's products are packaged in glass bottles, majority of which are manufactured by San Miguel Yamamura Packaging Corporation ("SMYPC"), an SMC subsidiary. Glass bottles account for a significant portion of the cost of goods sold for the Company's products. The cost is managed by maintaining a network of second-hand territorial bottle suppliers ("TBS") across the country thru San Miguel Shipping and Lighterage Corporation. These TBS retrieve, sort and pre-wash the bottles from the market for the Company's use. Upon delivery in the bottling plants, the bottles further undergo stringent quality inspection protocols to monitor and address safety concerns in the use of recycled bottles. Due to the Company's retrieval programs, second-hand bottles account for 66% of total bottles used in 2021.

Customers

The Company has various customers: dealers, wholesalers, retailers, off-premise outlets such as supermarkets, grocery stores, sari-sari stores and convenience stores and on-premise outlets such as bars, restaurants and hotels.

The Group, which includes the Company, is not dependent upon a single or few customers, the loss of any of which will have a material adverse effect on the Group taken as a whole.

Transactions with and /or dependence on related parties

The Group, in the normal course of business, has significant transactions with related parties such as those pertaining to the purchases of raw materials, containers, bottles and other packaging materials as well as the sale of liquor and by-products. The sales to and purchases from related parties are made at normal market prices.

The Group's transactions with related parties are described in Note 26 of the 2021 Audited Consolidated Financial Statements attached hereto as Annex "D".

Intellectual Property

Intellectual property comes in various formats, including but not limited to trademarks, copyrights and patents. It also covers different areas - from products, logos, and advertising materials - which serves as a valuable means of distinguishing one's business and products from others, indicating the source and origin of the goods and serving to guarantee that the entity's products are of a certain standard of quality. With this in mind, the Company ensures that the trademarks, patents, industrial designs and copyrights that are being used or are intended to be used in its business, products, and in its marketing and advertising activities are protected by registration with the Intellectual Property Office of the Philippines (the "IPOPHL") and its equivalent government regulatory agencies in other countries and jurisdictions. The Company also sees to it that such registrations are maintained pursuant to pertinent laws, rules and regulations.

All trademarks used by the Company for its products that were sold in the Philippines and in relevant foreign markets, as well as those used for its other business operations, are either registered or with pending applications for registration in its name or in the name of SMC. The Company has applied for registration or has existing registrations in its name, among others, the trademarks Vino Kulafu, Primera Light Brandy, Ginebra San Miguel and San Miguel Ethyl Alcohol, including their label designs, as well as the trademarks of products that are planned to be released in 2022. The Company maintains the registration of the industrial design of the various Ginebra San Miguel bottles. The trademarks and label designs of G.S.M. Blue, Antonov Vodka and Don Enrique Mixkila are likewise continued to be registered in the name of SMC, the use of which by the Company is still duly authorized by SMC. The Company has likewise registered, among others, "Bagong Tapang", "One Ginebra Nation", "Iba ang Primera Light Brandy", "Mag-Level Up, Pinasarap ng 12 Years", "Sa Bango at Lasa, Sarap Kasama," "Shot Mo Na!", "Celebrate with a Glass of World Class", and "Have a Glass of World Class" for its advertising and marketing initiatives.

Trademarks used by the Company for its products that are distributed or sold abroad are continued to be registered in various countries including Thailand, United States of America, China, Canada, Hong Kong, India, Italy, Kuwait, New Zealand and Taiwan.

The Company also has existing copyright certificates of registration over certain pictorial illustrations and radio materials that are being used to advertise Vino Kulafu.

The Company, whenever necessary, files complaints for trademark infringement and unfair competition, as well as opposes applications for registration of marks of other parties that are similar to that of the Company, for the purpose of protecting its rights and interests. In 2022, the Company will continue to exert efforts to put a stop to the widespread unauthorized use of its bottles by various individuals and entities.

Government Approval and Regulations and Regulatory Bodies in the Philippines

The Group, in so far as its presence and/or operations in the Philippines is concerned, is regulated by various government agencies and regulatory bodies to ensure compliance with relevant laws, rules and regulations in the Philippines, which are discussed in detail hereunder.

As may be required for the conduct of its various businesses, the Group has obtained all the permits, licenses and government approvals, such as but not limited to those required by the relevant local government units, including the Food and Drug Administration ("FDA"), the Bureau of Internal Revenue ("BIR"), the Bureau of Customs ("BOC"), the Department of Environment and Natural Resources ("DENR"), and the various local government units where all of its offices, plants and other installations are located.

With respect to the manufacture, sale and distribution of its domestic products, the Group is governed, among others, by the Food, Drug and Cosmetic Act, as amended by the FDA Act of 2009, the provisions of which with respect to food products are principally enforced by the FDA, a governmental agency under the Department of Health.

As regards labor and employment, the Group complies with the Labor Code of the Philippines, as amended (the "Labor Code"), its implementing rules and regulations, issuances of the Department of Labor and Employment ("DOLE"), and other labor-related legislations. The Group ensures that the rights of its workers are protected and mandated benefits are provided to them through compliance with the Occupational Health and Safety Law, the Social Security Act of 1997, as amended, the National Health Insurance Act of 1995, as amended, the Anti-Age Discrimination in Employment Act, Anti Sexual Harassment Act, Safe Spaces Act, and the 105-Day Expanded Maternity Leave Law, among other relevant legislations. With respect to its engagement of third party service providers, the Group ensures that its service providers are compliant with the provisions of the Labor Code and other issuances of the DOLE, more specifically Department Order No. 174, Series of 2017 and the Rules Implementing Articles 106 to 109 of the Labor Code, as amended, relative to contracting or subcontracting arrangements.

On matters relating to the operations of the Group which affect the environment, it ensures compliance with the provisions of the Philippine Clean Water Act of 2004, The Water Code of the Philippines, The Philippine Clean Air Act, Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and Ecological Solid Waste Management Act of 2000, among others, all of which are implemented and enforced by the DENR and its related and/or attached agencies.

Anent its corporate registration, the Group is governed by the Revised Corporation Code of the Philippines, the provisions of which are principally enforced by the Securities and Exchange Commission ("SEC"). The Group also ensures compliance with the memorandum circulars and other issuances of the SEC, whenever applicable.

Given that GSMI's shares of stocks are listed with the PSE, it also complies with the Securities Regulations Code ("SRC") and its Implementing Rules and Regulations, as well as relevant issuances of both the Philippine Stock Exchange ("PSE") and SEC.

Regarding the matter of taxation, the Group is subject to the National Internal Revenue Code of 1997 ("NIRC"), as amended. It is subject to income tax and value added tax, as well as local taxes based on the prevailing tax ordinances in the areas where it has established its offices, plants and other facilities. As the Group imports raw materials, machineries equipment and other goods from foreign countries, it is likewise governed by the rules and regulations issued by the Bureau of Customs (BOC) and is subject to duties, taxes and other charges as may be provided under relevant legislations or regulations.

GSMI products, given to their nature as distilled spirits, are specifically subject to excise tax on alcohol products as provided for by the NIRC and implemented by revenue regulations, circulars and orders issued by the BIR and concurred by the Department of Finance.

On matters relating to personal data that is acquired by the Group in the course of its business operations, it ensures compliance with the Data Privacy Act of 2012 and its Implementing Rules and

Regulations, as well as the issuances of the National Privacy Commission (the "Privacy Laws"), all of which are intended to protect the fundamental human right of privacy of communication while ensuring free flow of information to promote innovation and growth. Conformably with the Privacy Laws, GSMI adopted a Personal Data Privacy Policy and appointed a Data Protection Officer and individual Compliance Officers for Privacy for DBI and EPSBPI.

With respect to other laws that may impact on the way the Group operates, the Group is cognizant of the provisions of the Philippine Competition Act, which lays down a consolidated framework on competition policy, and prohibits and penalizes all forms of anti-competitive agreements, abuse of dominant position and anti-competitive mergers and acquisitions, all with the objective of protecting consumer welfare and advancing domestic and international trade and economic development.

Research and Development

Part of the key focus area of the Group is continuous research and development to stay attuned to evolving market preferences. As for GSMI, a dedicated R&D team, which maintains well-equipped laboratory, closely collaborates with the market research group to constantly develop and formulate innovative products. The R&D team's mandate is to enhance and further expand the Company's product library that will allow timely product launches as the need arises.

Research and development costs of GSMI, DBI and EPSBPI amounted to P43.4 million, P38.7 million and P75.1 million 2021, 2020 and 2019, respectively. Spending on research and development are mostly for new product development and various market research, which is less than 1% of the total revenue during each of the last three (3) fiscal years.

Costs and Effects of Compliance with Environmental Laws

As part of the Group's continuing compliance with and adherence to environmental laws, GSMI, DBI and EPSBPI have spent P 21.0 million, P 19.1 million and P8.6 million in 2021, 2020, and 2019, respectively, in order to implement the following initiatives:

- Emission reduction by performing boiler and generator maintenance and cleaning of smokestacks;
- Wastewater quality improvement and General Effluent Standards compliance by conducting intensive water quality monitoring and performing maintenance and improvement of wastewater facilities;
- Solid wastes management by implementing segregation at source practices and maintaining their composting, garbage collection and material recovery facilities; and
- Quality of environment improvement by planting trees and cleaning rivers and coastlines, which benefited both the operations of the said companies and the well-being of the immediate environment and communities.

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

Water reduction projects amounting to P 2.0 million, P 0.9 million, and P0.7 million in 2021, 2020, and 2019, respectively, which included new equipment and pipeline installations and process modifications were implemented across various facilities since 2017. Reducing water usage of water intensive processes in bottling lines, as well as recovering discharged water from treatment processes, and reusing them for other utility purposes were prioritized in 2021. These efforts have resulted to 36.83% reduction in scarce non-product water usage in manufacturing plants and aligned with the conglomerate's goal of achieving 50% water reduction by year 2025.

Human Resources and Labor Matters

As of December 31, 2021, GSMI has a total of nine hundred fifteen (915) regular employees, DBI has a total of one hundred fifty seven (157) and EPSBPI has a total of one hundred twenty (128) regular employees. As for the operations of Agricrops, it is supported by DBI employees, the cost for which is being billed by DBI thru management fees. There is no expected increase of manpower for the said companies for the year 2022.

Details of the regular employee of GSMI, DBI and EPSBPI are as follows:

Description	ADMINISTRATIVE				OPERATIONS				TOTAL
	GSMI	DBI	EPSBPI	TOTAL	GSMI	DBI	EPSBPI	TOTAL	
No. of employees	403	22	9	434	512	135	119	766	1,200
Under CBA	0	0	0	0	198	89	0	287	287
Non-CBA	403	22	9	434	314	46	119	479	913

Some of the aforementioned companies is a party to a Collective Bargaining Agreement ("CBA") with the monthly-paid and daily-paid employees.

The Company has CBA for monthly-paid and daily-paid employees of its plant in Sta. Barbara, Pangasinan ("Sta. Barbara Plant"), the daily-paid employees of its plant in Subangdaku, Mandaue City ("Mandaue Plant") and the daily-paid employees of its Cabuyao, Laguna Plant ("Cabuyao Plant").

As for DBI, it has a CBA with the monthly-paid employees of its plant in Bago City, Negros Occidental ("DBI Plant").

The status of the respective CBAs of GSMI and DBI as of December 31, 2021 is summarized in the table below:

BUSINESS UNIT / PLANT	UNION AFFILIATION	EXPIRATION OF ECONOMIC PROVISION	REMARKS
GSMI - Mandaue Plant (Dailies)	GSMI - FREEWAS Daily Paid Employees Union	December 31, 2021	The Union is composed of twenty-six (24) members. Negotiation for the Economic provision of their CBA is ongoing.
GSMI – Cabuyao Plant (Dailies)	United Independent Union of GSMI Cabuyao Plant	December 31, 2023	The Union is composed of seventy-eight (79) members. The three (3)-year CBA covers the period from January 1, 2021 to December 31, 2023.
GSMI - Sta. Barbara Plant (Monthlies)	La Tondeña Distillers, Inc. Workers Union – Sta. Barbara Plant (LATODIWU) Monthly Paid Independent Union	December 31, 2022	The Union is composed of twenty-one (21) members. The three (3)-year CBA covers the period from January 1, 2020 to December 31, 2022.
GSMI - Sta. Barbara Plant (Dailies)	GSMI Sta. Barbara Plant Daily-paid Workers Independent Union	December 31, 2022	The Union is composed of sixty-nine (69) members. The three (3)-year CBA covers the period from January 1, 2020 to December 31, 2022.
DBI Plant (Monthlies)	(CIO - DBEU) - Congress of Independent Organizations Distileria Bago Employees Union	December 31, 2022	The Union is composed of eighty-four (84) members. The three (3)-year CBA covers the period from January 1, 2020 to December 31, 2022.

There have been no strikes or threatened strikes in the Company and its Domestic Operating Subsidiaries for the past three (3) years.

The Company, DBI and EPSBPI maintains a retirement plan pursuant to which all regular monthly-paid and daily-paid employees of the Company are eligible members.

The retirement plan is described in Note 28 of the 2021 Audited Consolidated Financial Statement of the company attached hereto as Annex "D".

Major Risks

Competitor Risk

With the industry continuing to evolve, major players compete by adopting a product portfolio that caters to shifting consumer preferences. Over the years, the Group, with respect to its liquor operations, has expanded its product portfolio to include not only gin but also variants thereof (low-proof, ready mixed or flavored and distilled gin), Chinese wine, brandy, vodka and rum products.

Regulatory Risk

Changes in regulations and actions by national or local regulators in the Philippines can result in increased competitive pressures, such as the excise tax increases for alcoholic beverages. The Group cushions the effect of these increases through price increases in its products and improvements in manufacturing cost.

Raw Material Supply/Price Risk

The Group, with respect to its molasses-related operations, still faces volatility of local supply and prices of molasses since the current demand-supply situation may not be sustainable. When there is volatility in supply, the Group addresses this through regular monitoring of its molasses and alcohol requirements and covering them with forward supply contracts. The Group also imports a portion of its alcohol requirements whenever local supply cannot meet the Company's demand.

Currency Risk

The Group's exposure to foreign exchange risk resulted from its business transactions denominated in foreign currencies. It is the Group's policy to ensure that capabilities exist for active and prudent management of its foreign exchange.

Credit Risk

Credit risk, or the risk of counterparties defaulting, 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 credits extended. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group's exposure to credit risk arises from default of the counterpart with a maximum exposure equal to the carrying amount of these instruments, net of the value of collaterals, if any.

The Group does not expect any counterparty to default in its obligations. Specifically, the Company has no significant concentration of credit risk with any counterparty. Further, in 2018, many of the Company's customers have shifted to cash transactions, thereby resulting in a reduction in credit risk.

For other risks material to the Group's operations, see Note 30 of the 2021 Audited Consolidated Financial Statement attached hereto as Annex "D".

Item 2. Properties

A summary of information on the general condition and location of the principal properties of the Company and its relevant subsidiaries, including those properties they are leasing is attached to as **Annex "B"**.

The Group has no principal properties, which are subject to a lien or mortgage or are subject to specific limitations in usage or ownership.

Item 3. Legal Proceedings

The following are the material pending legal proceedings to which the Company is a party to:

A. Tax Cases Pending with the Court of Tax Appeals (“CTA”)

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA En Banc Case No. 2555
CTA Case Nos. 8953 and 8954 (Consolidated)

These cases pertain to GSMI’s Claims for Refund with the BIR, in the amount of P581.7 million in Case No. 8953, and P133.6 million in Case No. 8954, or in the total amount of P715.3 million, 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 24 August 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 1 February 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 Php 319,755,320.98 out of its original claim of Php 715,258,843.38.

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 28 October 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 4 January 2022, GSMI elevated to the CTA En Banc the Decision dated 28 July 2020, Amended Decision dated 1 February 2021, and Resolution dated 28 October 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 1 February 2021 and Resolution dated 28 October 2021 of the CTA Third Division.

B. Tax Case Pending with the Supreme Court ("SC”)

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
SC G.R. No. 25839
CTA En Banc Case No. 2308
CTA Case No. 9059

This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26.2 million, 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 10 November 2021, the CTA En Banc denied the Petition for Review filed by GSMI. The Decision dated 6 February 2020 and the Resolution dated 9 June 2020 of the CTA Second Division were affirmed.

On 16 December 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.

C. Intellectual Property Cases Pending with the Supreme Court

Ginebra San Miguel Inc. vs. Director General of the Intellectual Property Office
G.R. No. 196372
SC En Banc

This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals (CA) affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC *En Banc.* The SC denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the SC *En Banc*.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of *"League of Cities vs. Commission of Elections"* (G.R. Nos. 176951, 177499 and 178056) to invite the SC *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the SC *En Banc* Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On 04 January 2019, the SC Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R. Nos. 216104, 210224 and 219632) with the En Banc case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of [TDI] and [GSMI] before the [IPO]."

On 3 February 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 27 January 2020, it received a copy of a Decision dated 27 December 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated 10 March 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 3 February 2020 on the IPO Director General's Decision dated 27 December 2019.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. Nos. 210224 and 219632
SC – En Banc

These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On 17 December 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 3 February 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 27 January 2020, it received a copy of a Decision dated 27 December 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated 10 March 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated 3 February 2020 on the IPO Director General's Decision dated 27 December 2019.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. No. 216104
SC – En Banc

This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On 17 December 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 3 February 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 27 January 2020, it received a copy of a Decision dated 27 December 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term “GINEBRA” had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI’s claim over “GINEBRA”.

In a Resolution dated 10 March 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI’s Manifestation dated 3 February 2020 on the IPO Director General’s Decision dated 27 December 2019.

D. Case Pending with the SEC

Josefina Multi-Ventures Corporation vs. San Miguel Corporation,
San Miguel Food and Beverage, Inc. and Ginebra San Miguel Inc.
SEC Case No. 05-18-468

Josefina Multi-Ventures Corporation (the “Petitioner”), one of the stockholders of GSMI, filed a petition against SMC, SMFB and GSMI, docketed as SEC Case No. 05-18-468 (the “Petition”), questioning the share swap transaction between SMFB and SMC relative, among others to, the transfer of SMC’s common shares in GSMI in exchange of SMFB’s common shares.

The Petition sought (I) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC’s common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from the increase in SMFB’s capital stock; and, (b) SMFB’s Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries SMB and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc, which is still pending resolution. In a Decision dated September 14, 2020, the SEC En Banc denied the Appeal Memorandum filed by Josefina for lack of merit.

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

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

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 closing prices for each quarter of the last three (3) fiscal years are as follows:

	2022		2021		2020	
Quarter	High	Low	High	Low	High	Low
1st	126.00	105.00	62.00	48.05	38.80	25.00
2nd	-	-	100.00	50.55	37.00	29.00
3rd	-	-	114.00	85.00	51.90	30.20
4th	-	-	119.00	96.00	59.00	44.80

The closing price of the Company's common shares as of March 31, 2022, the latest practicable date, is P111.00 per share.

The approximate number of shareholders of common shares as of December 31, 2021 is 629.

The top 20 stockholders, as of December 31, 2021, of the Company are as follows:

Rank	Name of Stockholders	Common	Preferred	Total No. of Shares	% of Total O/S
1	San Miguel Food and Beverage, Inc.	216,972,000	0	216,972,000	75.78%
2	PCD Nominee Corporation (Filipino)	42,237,074	0	42,237,074	14.75%
3	PCD Nominee Corporation (Non-Filipino)	25,015,536	0	25,015,536	8.74%
4	La Suerte Cigar & Cigarette Factory	200,000	0	200,000	0.07%
5	Lim Tay	80,000	0	80,000	0.03%
6	Roman T. Yap	50,000	0	50,000	0.02%
7	Emmanuel B. Macalalag	46,500	0	46,500	0.02%
8	Isabel C. Suntay	31,000	0	31,000	0.01%
9	Romulo G. Quinto	30,000	0	30,000	0.01%
10	Monina N. Cortez	30,000	0	30,000	0.01%
11	Lucia C. Unsay	30,000	0	30,000	0.01%
12	FMF Development Corporation	30,000	0	30,000	0.01%
13	Cynthia M. Baroy	30,000	0	30,000	0.01%
14	Estrella M. Tamayo	30,000	0	30,000	0.01%
15	Edan Corporation	26,100	0	26,100	0.01%
16	Rolando B. Bisana	25,000	0	25,000	0.01%
17	Luzviminda C. Santos &/or Cynthia S. Santos	21,000	0	21,000	0.01%
18	Elisea P. Tan	20,000	0	20,000	0.01%
19	Jane P. Panganiban	20,000	0	20,000	0.01%
20	Manuel P. Tan	20,000	0	20,000	0.01%

As of December 31, 2021, as reflected in the Public Ownership Report filed with the PSE, the Company's public float or public ownership percentage is 24.06%, computed in accordance with the Revised Listing Rules dated June 9, 2004 issued by the PSE as well as the SEC-approved Amended Rule on Minimum Public Ownership under Memorandum Circular CN-No. 2012-003 dated January 3, 2012 issued by the PSE.

Dividends Per Share

The Company's Articles of Incorporation (''AOI'') provides for the right of shareholders to dividends as and when declared by the Board of Directors (the "Board") at such rate or amount and period as may be fixed by the Board. AOI also provides that holders of preferred shares are entitled to receive, to the fullest extent allowable under the law, dividends at the rate of P1.50 per annum per preferred share, subject to certain adjustment. It shall be paid in priority to any dividend or distribution in favor of holders of common shares. Dividends on the preferred shares shall be fully cumulative.

On August 8, 2018, the Board passed and approved a Dividend Policy, which is quoted hereunder:

> "Subject to the relevant provisions of applicable laws and regulations, holders of common shares shall be entitled to receive annual cash dividends at such amounts up to 50% of the prior year's recurring net income starting 2019, as may be determined by the Company's Board of Directors ("Board"). "Recurring net income" shall mean net income calculated without respect to extraordinary events that are not expected to recur. Any dividend declaration and distribution may be made over the four (4) quarters of the year.
>
> In considering dividend declarations, the Board shall, in the exercise of its discretion and authority, take into consideration dividend payments on the preferred shares, debt covenant and restrictions, debt servicing requirements, implementation of business plans, operating expenses, budgets, appropriate reserves and working capital, major capital expenditure requirements, and funding of new investments.
>
> This policy may be amended or modified by the GSMI's Board at any time."

In 2019, the Board approved the declaration of cash dividends to stockholders in the amount of Php 0.25 per common share and Php 0.375 per preferred on March 13, May 8, August 7 and November 6, 2019. In the same year, the Company also declared cash dividends in arrears of 7 years (from 2012 to 2018) and one (1) quarter in 2002 at Php 0.375 to holders of preferred share on March 13, 2019, conformably with the AOI of the Company. Meanwhile in 2020, the Board also approved the declaration of cash dividends to stockholders in the amount of Php 0.25 per common share and Php 0.375 per preferred share on March 11, May 27, August 5 and November 4, 2020. In addition, on December 1, 2020, the Board approved the declaration of cash dividends to holders of preferred shares in the amount of Php 0.375 per preferred share conformably with the AOI of the Company. In 2021, the Board approved the declaration of regular cash dividends to stockholders in the amount of Php 0.25 per common share on March 10, May 5, August 4 and November 10, 2021. In addition, the Board likewise approved the declaration of special cash dividends in the amount Php1.00 per common share on May 5, August 4 and November 10, 2021

Description of the following securities of the Company may be found in the indicated Notes to the 2021 Audited Consolidated Financial Statements, attached herein as **Annex "D"**:

Equity	Note 18

The Company has not sold any unregistered securities or exempt securities, including issuance of securities constituting an exempt transaction, within the past three (3) fiscal years. Previously, common shares were issued by the Company under its Employee Stock Purchase Plan (the "Plan"), which as confirmed by the SEC in its Resolution dated January 21, 2008, to be exempt from the registration requirement of the SRC. The shares covered by the Plan are no longer available for subscription as the offering period provided under the Plan expired on January 21, 2013.

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

The information required by Item 6 is attached hereto as **Annex "C"**.

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

The 2021 Audited Consolidated Financial Statements of the Company, including its Statement of Management's Responsibility and Auditor's Report, are attached as **Annex "D"** hereto. The Supplementary Schedules (including report of auditors on Supplementary Schedules) are attached as **Annexes "D-1" to "D-8"** hereof.

The other documents together with their corresponding separate report required to be filed with the FS under SRC Rule 68, as amended are hereto attached to **Annex "D"** as follows:

Reconciliation of Retained Earnings Available for Dividend Declaration (Part1,4 (c))	Schedule 1
A map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates (Par 4(h))	Schedule 2
Financial soundness indicators	Schedule 3

Item 8. Information on Independent Accountants and Other Related Matters

The Company's external auditor for fiscal year 2021 is R.G. Manabat & Co, whose appointment as such was approved by the stockholders, upon the favorable recommendation of the Company's Audit and Risk Oversight Committee, during the Regular Stockholders' Meeting held on May 27, 2021. The Audit and Risk Oversight Committee also reviewed and approved the terms of engagement of the external auditor.

Fees for the services rendered by the external auditor to the Company and its subsidiaries in connection with the Company's annual financial statements and other statutory and regulatory filings (inclusive of retainer fees and out-of-pocket expenses) amounted to P7.4 million, P8.0 million and P8.1 million in 2021, 2020 and 2019, respectively.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The Company's Board, conformably with its Amended By-Laws, is composed of nine (9) directors, two (2) of whom are independent directors. The 2021 members of the Board were elected during the Regular Stockholders' Meeting held on May 27, 2021.

The names, age, gender, citizenship and position of the directors and senior executive officers of the Company as of December 31, 2021 are shown in the table below:

Name	Age	Gender	Citizenship	Type/Position
Directors:				
Ramon S. Ang	68	Male	Filipino	President
Leo S. Alvez	79	Male	Filipino	Director
Gabriel S. Claudio	67	Male	Filipino	Director
Francisco S. Alejo III	73	Male	Filipino	Director
Mario K. Surio	75	Male	Filipino	Director
Aurora T. Calderon	67	Female	Filipino	Director
Francis H. Jardeleza	72	Male	Filipino	Director
Minita V. Chico-Nazario	82	Female	Filipino	Independent Director
Aurora S. Lagman	83	Female	Filipino	Independent Director

Officers:				
Virgilio S. Jacinto	65	Male	Filipino	Corporate Secretary and Compliance Officer
Emmanuel B. Macalalag	56	Male	Filipino	General Manager
Cynthia M. Baroy	58	Female	Filipino	Chief Finance Officer/Treasurer
Allan P. Mercado	56	Male	Filipino	National Sales Manager
Ronald Rudolf C. Molina	53	Male	Filipino	National Marketing Manager

Detailed information relative to the aforementioned directors including their directorships for the past five (5) years, as well as information on the Company's officers are discussed hereunder.

Ramon S. Ang is the President of the Company and has been a Director of the Company since April 4, 2000. He is the Chairman of the Executive Compensation Committee and a member of the Executive Committee of the Company. He currently holds the following positions in the various subsidiaries and affiliates of the Company: Chairman and President of Distileria Bago, Inc.; Chairman of Ginebra San Miguel International Ltd. and GSM International Holdings Limited; and Director in Thai San Miguel Liquor Company Limited. He also holds positions in the following PSE-listed companies: Vice Chairman, President and Chief Executive Officer of San Miguel Corporation and San Miguel Food and Beverage, Inc.; Chief Executive Officer and President of Petron Corporation, Integrated Geo Solutions, Inc., Northern Cement Corporation and Top Frontier Investment Holdings, Inc. His other current positions, include, among others, the following: Chairman, Chief Executive Officer, President and Chief Operating Officer of SMC Global Power Holdings, Corp.; Chairman and President of San Miguel Properties, Inc., San Miguel Consolidated Power Corporation, San Miguel Infrastructure Corporation, and Trans Aire Development Holdings Corp.; Chairman and Chief Executive Officer of SMC Asia Cars Distributors Corp.; Chairman of San Miguel Brewery Inc., San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), San Miguel Foods, Inc., The Pure Foods Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Anchor Insurance Brokerage Corp., Sea Refinery Corporation, Eagle Cement Corporation, Petron Malaysia Refining and Marketing Bhd (a company publicly listed in Malaysia), Philippine Diamond Hotel & Resort Inc. and Manila North Harbour Port, Inc. Mr. Ang was previously the President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc., Director of Air Philippines Corporation, and Vice Chairman of Manila Electric Company. He has held directorships in various companies, including domestic and international subsidiaries of San Miguel Corporation in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University.

Francisco S. Alejo III is a Director of the Company since May 28, 2015 and is a member of the Company's Executive Committee and Audit and Risk Oversight Committee. He is also the Director and Chief Operating Officer – Food of the San Miguel Food and Beverage, Inc., a company listed with the PSE. He also holds the following positions: President of Magnolia Inc, The Purefoods-Hormel Company Inc., San Miguel Foods, Inc. and San Miguel Mills, Inc; Chairman of San Miguel Purefoods (Vn) Co. Ltd., Golden Food Management, Inc., Golden Bay Grain Terminal Corporation, Golden Avenue Corp. and San Miguel Foods International Limited; and Director of the following private companies: San Miguel Super Coffeemix Co., Inc., San Miguel Foods & Beverage International Limited (BVI) and San Miguel Pure Foods Investment (BVI) Ltd. He is also the President Commissioner of PT San Miguel Purefoods (VN) Co., Ltd. He is also a Board Member of San Miguel Foundation, Inc. He was previously the President of The Purefoods-Hormel Company, Inc. 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.

Aurora T. Calderon, is a Director of the Company since November 9, 2017 and is a member of the Company's Executive Committee, Executive Compensation Committee, Corporate Governance Committee and the Company's Retirement Plan - Board of Trustees. She currently holds the following positions in the various subsidiaries and affiliates of the Company: Chairman and President of East Pacific Star Bottler Phils Inc., Agricrops Industries Inc., Crown Royal Distillers, Inc. and Healthy Condiments, Inc.; Chairman of Global Beverage Holdings Limited and Siam Holdings Limited; and Director of Distilera Bago, Inc., Thai San Miguel Liquor Company Limited, Siam Wine and Liquor Limited, Ginebra San Miguel International Ltd. and GSM International Holdings Limited. She is a Director and Senior Vice President and Senior Executive Assistant to the President and Chief Operating

Officer of San Miguel Corporation. She is also Director and Treasurer of Top Frontier Investment Holdings, Inc. and SMC Asia Car Distributors Corp and a Director of the following PSE-listed companies: San Miguel Food and Beverage, Inc. and Petron Corporation. Her other current positions, include, among others, the following: Director of SMITS, Inc., San Miguel Yamamura Packaging Corp., San Miguel Consolidated Power Corporation, San Miguel Infrastructure Corporation and Trans Aire Development Holdings Corp; Director and Chairman of Florenza Estates Development Corporation and Ruzena Estates Development Corporation; and Board Advisor of Bank of Commerce. She was formerly a director of Philippine Holdings, Inc., Philippine Airlines, Inc. and Manila Electric Company, to name a few. Ms. Calderon is a certified public accountant who graduated *magna cum laude* from the University of the East with a degree in Business Administration major in Accounting. She is a member of the Financial Executives and the Philippine Institute of Certified Public Accountants.

Leo S. Alvez has been a Director of the Company since April 24, 2002. He is also a member of the Audit and Risk Oversight Committee, Executive Compensation Committee and Corporate Governance Committee of the Company. He was previously the Chairman of the Company's Nominations and Hearing Committee. He is also a former Director of San Miguel Corporation, a company listed with the PSE and San Miguel Purefoods Company, Inc. He has also held various positions in the government. He earned his Bachelor of Science Degree from the Philippine Military Academy and Masters in Business Administration from the University of the Philippines. He also attended various military education courses.

Gabriel S. Claudio has been a Director of the Company since November 11, 2010 and a Member of the Company's Corporate Governance Committee. He is presently the Vice Chairman of Risks and Opportunities Assessment Management, Inc.; Director of Philippine Amusement and Gaming Corporation and Rizal Commercial Banking Corporation; and a Member of the Board of Trustees of Conflict Resolution Group Foundation, Inc., and TOBY's Sports and Youth Foundation, Inc. He was Chairman of the Board of Trustees of Metropolitan Waterworks and Sewerage System and Conflict Resolution Group Foundation, Inc.; Director of the Development Bank of the Philippines and Member of the Board of Directors of the Philippine Charity Sweepstakes Office. He also occupied several cabinet positions: Presidential Political Adviser to Presidents Fidel V. Ramos and Gloria Macapagal Arroyo, Presidential Legislative Adviser, Chief of the Presidential Legislative Liaison Office, Cabinet Officer for Regional Development (CORD) for Eastern Visayas and Acting Executive Secretary. He obtained his degree in AB Communication Arts from the Ateneo de Manila University and is a recipient of the Most Outstanding Graduating Communications Arts Major award.

Mario K. Surio, has been a Director of the Company since May 28, 2015 and a member of the Company's Corporate Governance Committee. He is currently a Technical Consultant of San Miguel Corporation. His other current positions, include, among others, the following: President of Daguma Agro Minerals Inc., Sultan Energy Philippines Corp. and Bonanza Energy Resources Inc.; Director of Eagle Cement Corporation, South Luzon Tollways Corp. (SLEX) and San Miguel Yamamura Packaging Corporation. He is also the Vice Chairman and Director of Private Infra Development Corp. (TPLEX). He was previously the President of CEMA Consultancy Services, Inc., Phil Technologies Inc., Cement Management Corporation and Centech International, Inc. He also previously held the positions of Quality Control Head, Production Manager and Plant Manager of Northern Cement Corporation. Mr. Surio is a licensed Chemical Engineer having obtained his degree from the University of Sto. Tomas. He is an incumbent member of the Philippine Institute of Chemical Engineers.

Francis H. Jardeleza is a Director of the Company since August 5, 2020. He is currently a director of San Miguel Food and Beverage, Inc., and Petron Corporation, both are companies listed with the PSE. He is also an Independent Director of MORE Electric and Power Corporation. He is currently a professorial lecturer at the University of the Philippines College of Law. He has previously held the following positions in the government: Associate Justice of the Supreme Court, Solicitor General and Deputy Ombudsman for Luzon. He was the former Senior Vice President and General Counsel of San Miguel Corporation and has been a partner in several law firms including the law firm of Angara Abello Concepcion Regala and Cruz and was also an Independent Director of EastWest Bank. He obtained his law degree from the University of the Philippines where he was class salutatorian and cum laude and placed third in the 1974 Bar Examinations. He holds a Master of Laws degree from Harvard University.

Minita V. Chico-Nazario[1] is an Independent Director of the Company since March 9, 2012, Chairperson of the Company's Audit and Risk Oversight Committee and Member of the Company's Executive Compensation Committee and Corporate Governance Committee. She is also an Independent Director of PSE-listed companies, Top Frontier Investment Holdings, Inc. and San Miguel Food and Beverage, Inc., and private company, San Miguel Properties, Inc. Her other current positions, include, among others, the following: Chairman of Philippine Grains International Corporation and Director of Mariveles Grain Corporation; Consultant of United Coconut Planters Bank; Of Counsel of Tan, Acut, Lopez and Pison Law Offices. She has previously held the following positions: Dean of the College of Law of the University of Perpetual Help System DALTA in Las Piñas City, Legal Consultant of Philippine Amusement and Gaming Corporation and Metro Manila Development Authority; and Director of PNOC Exploration Corporation. She has served the judiciary in various capacities for forty-seven (47) years, as Presiding Justice of the Sandiganbayan and Associate Justice of the Supreme Court, among others. She obtained her law degree from the University of the Philippines and is a member of the New York State Bar.

Aurora S. Lagman is an Independent Director of the Company since March 15, 2017 and is the Chairperson of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee of the Company. She is a part-time faculty member of the College of Law, Bulacan State University (currently on leave), Member of the Board of Trustees of Society for Judicial Excellence, and adviser of RTC Judges Association of Bulacan, Inc. Among others, she previously held the following positions: Member, Judicial and Bar Council; Associate Justice, Court of Appeals; and Judge, Regional Trial Court, Branch 77, Malolos, Bulacan. 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. She also attended various domestic and foreign trainings, seminars and conferences.

Virgilio S. Jacinto is the Company's Corporate Secretary and Compliance Officer since November 11, 2010. He also holds, among others, the following positions in the following PSE-listed companies: Senior Vice-President, General Counsel, Corporate Secretary and Compliance Officer of San Miguel Corporation; Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc., and Director of Petron Corporation. He is also a Director and Corporate Secretary of various domestic and international subsidiaries of the San Miguel Corporation group. He has served as a Director and Corporate Secretary of United Coconut Planters Bank, Director of San Miguel Brewery Inc. and a Partner of Villareal Law Offices, to name a few. He is an Associate Professor VII at the University of the Philippines, College of Law. Atty. Jacinto obtained his law degree from the University of the Philippines where he was class salutatorian and placed sixth in the 1981 Bar Examinations. He holds a Master of Laws degree from Harvard University and a member of the International Honor Society of the PHI KAPPA PHI and Harvard Club (Philippines).

Emmanuel B. Macalalag is a Vice President and General Manager of the Company. He currently holds the following positions in the various subsidiaries and affiliates of the Company: Director and General Manager of Distileria Bago, Inc. and East Pacific Star Bottlers Phils Inc; and Director of Agricrops Industries Inc., Crown Royal Distillers, Inc., Healthy Condiments, Inc., Thai San Miguel Liquor Company Limited, and GSM International Holdings Limited. He is also a Director and Chief Operating Officer – Liquor of San Miguel Food and Beverage, Inc., a PSE-listed company. He previously held the following positions in the Company: Manufacturing Group Manager, Manufacturing Operations Group, Planning and Management Services Manager, Business Planning and Development Manager and Business Planning and Investor Relations Manager. Mr. Macalalag obtained his Bachelor of Science Degree, major in Applied Mathematics from De La Salle University (DLSU), where he graduated *cum laude*. He also holds a Master's degree in Mathematics from DLSU and a PhD degree in Operations Research from the University of Melbourne, Australia.

Cynthia M. Baroy is a Vice President and Chief Finance Officer/Treasurer of the Company. She is also a Director and Treasurer of all the wholly-owned domestic subsidiaries of the Company, which are Distileria Bago, Inc.("DBI"), East Pacific Star Bottlers Phils Inc., Agricrops Industries Inc., Crown Royal Distillers, Inc. and Healthy Condiments, Inc. She is also an incumbent Director of the

[1] *Director Minita V. Chico-Nazario ceased to be an Independent Director upon her demise on February 16, 2022. Such information was disclosed by the Company through SEC Form 17-C filed on February 17, 2022.*

following foreign subsidiaries and affiliates of the Company: GSM International Holdings Limited, Siam Holdings Limited, Global Beverage Holdings Limited, Siam Wine and Liquor Limited, and Thai Ginebra Trading Company Limited. She is also a Member of the Board of Trustees of the Retirement Plan of the Company and DBI. She previously held the following positions: Financial Planning and Analysis Manager of San Miguel Yamamura Packaging Corporation; Finance Manager of Metal Closures & Lithography Business; and, Finance Manager of San Miguel Rengo Packaging Corporation. Ms. Baroy obtained her B.S. Commerce major in Accounting from the University of Sto. Tomas where she graduated *cum laude*. She is a Certified Public Accountant.

Allan P. Mercado is a Vice President and Sales and Marketing Manager of the Company. He is also a Director of Siam Holdings Limited, Agricrops Industries Inc., Crown Royal Distillers, Inc. and Healthy Condiments, Inc. He previously held the following positions: National Sales Manager and Sales and Marketing Support Group Manager of the Company, National Sales Manager of San Miguel Beverages, Inc. and Selling Systems and Training Manager of Coca-Cola Bottlers Phils., Inc. He obtained his Bachelor of Science Degree in Management and Industrial Engineering at the Mapua Institute of Technology.

Ronald Rudolf C. Molina is an Assistant Vice President and Marketing Manager of the Company. Previously, he was the Senior Manager and Head of the Marketing for Digital Innovations and Value-Added Services, Postpaid Broadband Business and Brand Equity Management at Smart Communications. Prior to that, he was a Senior Marketing Manager at the Coca-Cola Export Corporation- Philippines Division, where he was in charge of the business in the Visayas, Mindanao and South GMA Regions. He obtained his Bachelor of Arts Degree in Communication Arts at the Ateneo De Manila University.

Independent Directors

The Company has two (2) Independent Directors who, apart from their fees and shareholdings, have no business or relationship with the Company, which could or could reasonably be perceived to materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors. The Independent Directors of the Company in 2021 are Minita V. Chico-Nazario and Aurora S. Lagman.

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

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the directors, executive officers, or nominees for election as directors.

Parent Company

As of December 31, 2021, San Miguel Food and Beverage, Inc. owns 75.78% of the shares of the Company.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been involved in the following legal proceedings, including being 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/her 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 latest date that is material to the evaluation of his/her ability or integrity to hold the relevant position in the Company.

Item 10. Executive Compensation

The following table summarizes the aggregate compensation (in Millions) paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Company's General Manager and senior executive officers:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the General Manager and Senior Executive Officers[2]	2022 (estimated) 2021 2020	P36.9 P36.5 P33.0	P9.1 P14.8 P12.6	P10.0 P10.0 P9.4	P56.0 P61.3 P55.0
All other officers and directors as a group unnamed	2022 (estimated) 2021 2020	P32.3 P35.7 P33.4	P8.0 P11.5 P10.6	P10.8 P12.0 P11.4	P51.1 P59.2 P55.4
TOTAL	2022 (estimated) 2021 2020	P69.2 P72.2 P66.4	P17.1 P26.3 P23.2	P20.8 P22.0 P20.8	P107.1 P120.5 P110.4

Article II, Section 9 of the Amended By-Laws of the Company provides that the members of the Board shall receive such compensation as may be approved by a majority vote of the stockholders at a regular or special meeting duly called, subject to such limitations as may be imposed by law.

In 2021, each director received a per diem of Ten Thousand Pesos (P10,000.00) per attendance at Board and Board Committee meetings of the Company. There were five (5) Board, four (4) Audit and Risk Oversight Committee, one (1) Executive Compensation Committee and one (1) Corporate Governance Committee meetings held in 2021.

There were no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, during the last fiscal year, and the ensuing fiscal year.

There were no employment contracts between the Company and a named executive officer.

There were neither compensatory plans nor arrangements with respect to a named executive officer.

Item 11. Security Ownership of Certain Beneficial Owners and Management

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

[2] For 2019 to present, the General Manager and senior officers of the Company are as follows: Cynthia M. Baroy, Allan P. Mercado, Monina N. Cortez and Ronald Molina. Mr. Ramon S, Ang, the President of the Company, does not receive compensation from the Company other than the per diem for attendance in Board meetings.

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
Common	San Miguel Food and Beverage, Inc.[3] 40 San Miguel Avenue Mandaluyong City	San Miguel Corporation	Filipino	216,972,000	75.78%
Common	PCD Nominee Corp. (Filipino) Grd. Flr., Makati Stock Exchange Ayala Ave., Makati City	Various	Filipino	42,237,074	14.75%
Common	PCD Nominee Corp. (Non-Filipino) Grd. Flr., Makati Stock Exchange Ayala Ave., Makati City	Various	Non-Filipino	25,015,536	8.74%

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 of the Company, as of December 31, 2021.

(1) Title of Class	**(2) Name of Record Owner**	**(3) Amount and Nature of Ownership**	**(4) Citizenship**	**(5) Percent of Class**
Common	Ramon S. Ang	5,000 (Direct)	Filipino	0.00%
Common	Francisco S. Alejo III	5,000 (Direct)	Filipino	0.00%
Common	Gabriel S. Claudio	5,000 (Direct)	Filipino	0.00%
Common	Aurora T. Calderon	5,000 (Direct)	Filipino	0.00%
Common	Leo S. Alvez	5,000 (Direct)	Filipino	0.00%
Common	Minita V. Chico Nazario	5,000 (Direct)	Filipino	0.00%
Common	Aurora S. Lagman	5,000 (Direct)	Filipino	0.00%
Common	Mario K. Surio	5,000 (Direct)	Filipino	0.00%
Common	Francis H. Jardeleza	5,000 (Direct)	Filipino	0.00%

The aggregate number of shares owned of record by the directors as a group as of December 31, 2021, is 45,000 shares or approximately 0.0157% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors (as a group) of the Company as of December 31, 2021 is 209,500 shares or approximately 0.0732% 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.

With the consolidation of the SMC's food and beverage business under SMFB, the Company's common shares previously owned by SMC are now owned and registered in the name of SMFB in the books of the Company.[4]

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[3] *The Board of Directors of San Miguel Food and Beverage, Inc. ("SMFB") authorizes any one Group A signatory, or any two Group B signatories to act and vote in person or by proxy, shares held by SMFB in other corporations. The Group A signatories of SMFB are Ramon S. Ang, Ferdinand K. Constantino, Francisco S. Alejo III, Joseph N. Pineda, Virgilio S. Jacinto, Aurora T. Calderon, Roberto N. Huang, Emmanuel B. Macalalag, Elizabeth R. Ray and Bella O. Navarra. The Group B signatories of SMFB are Almira C. Dalusong, Eileen P. Ratilla, Ildefonso B. Alindogan, Daniel T. De Castro, Jr., Rita Imelda P. Palabyab, Joseph Francis M. Cruz and Florence P. Pavon.*

[4] *As disclosed by the Company through SEC Form 17-C filed in 2018 dated April 6, August 22, October 15 and November 5.*

Item 12. Certain Relationships and Related Transactions

See Note 26 (Related Party Disclosures) to the 2021 Audited Consolidated Financial Statements attached hereto as Annex "**D**".

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) not in the ordinary course of business. The Company observes an arm's length policy in its dealings with related parties.

PART IV – CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

Item 13.A. Corporate Governance

The Company is committed to good corporate governance and recognizes that the same plays a vital role in creating and sustaining shareholder value and in safeguarding shareholders' rights and interest. The Company's Board , Management and employees adhere to the highest standards of corporate governance as a vital component of sound business management. In line with this, the Company on August 6, 2002, institutionalized the principles of good corporate governance in the entire organization by establishing and implementing the Company's Manual on Corporate Governance (the "Manual"). Since its adoption, the Manual has been amended a number of times in order to align the provisions thereof with the prevailing issuances, rules and circulars of the SEC, the most recent of which is the SEC issued Memorandum Circular No. 19, Series of 2016 (the "Circular") on the Code of Corporate Governance for Publicly-Listed Companies ("CG for PLCs"), which Code took effect on January 1, 2017. Conformably with the Circular, the Company formally approved and adopted an amended or new Manual on May 9, 2017.

As for the Company's Integrated Annual Corporate Governance Report (''I-ACGR") for 2021, it will be submitted to the SEC not later than May 30, 2022 and shall be made available in its website.

Item 13.B. Sustainability Report

The Company's 2021 Sustainability Report is submitted together with this Annual Report (SEC Form 17-A) and shall also be made available in the Company's website.

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

The 2021 Audited Consolidated Financial Statements are attached as **Annex "D"** and the Supplementary Schedules (including the report of the auditors on the Supplementary Schedules) are attached as **Annexes "68-J-1"** to **"68-J-7"**. The other Schedules as indicated in the Index to Schedules are either not applicable to the Company or require no answer.

The other documents together with their corresponding separate report required to be filed with the FS under SRC Rule 68, as amended are hereto attached to Annex "**D**" as "Schedules 1 to 3".

(b) Reports on SEC Form 17-C

Reports on Form 17-C filed during the last twelve (12)-month period covered by this report are attached as **Annex "E"**.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on 13 APR 2022 April 2022.

By:

RAMON S. ANG
President

CYNTHIA M. BAROY
Treasurer/Chief Finance Officer

VIRGILIO S. JACINTO
Corporate Secretary and
Compliance Officer

SUBSCRIBED AND SWORN to before me this 13 APR 2022 day of April, 2022 affiants exhibiting to me their respective passports as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Ramon S. Ang	P2247867B	22 May 2019	DFA Manila
Cynthia M. Baroy	P5612173A	13 January 2018	DFA NCR East
Virgilio S. Jacinto	P3157226B	12 September 2019	DFA NCR East

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Page No. 79;
Book No. I;
Series of 2022.

CHRISTINE ANGELICA D. FELIX
NOTARY PUBLIC
ROLL NO. 64625
MANDALUYONG CITY, PHILIPPINES

CHRISTINE ANGELICA D. FELIX
Commission No. 0586-21
Notary Public for Mandaluyong City
Until December 31, 2022
GSMI, 6th Floor, San Miguel Properties Centre,
St. Francis Street, Mandaluyong City
Roll No. 64625
PTR No. 4877816; 01/20/2022; Mandaluyong City
IBP Lifetime Member No. 013708; 04/13/2015; RSM

Annex “A”

GINEBRA SAN MIGUEL INC.
LIST OF PRODUCTS
AS OF DECEMBER 31, 2021

1. GINEBRA SAN MIGUEL
2. GINEBRA SAN MIGUEL PREMIUM GIN
3. G.S.M. BLUE LIGHT GIN
4. G.S.M. BLUE FLAVORS (Mojito, Margarita and Gin Pomelo)
5. PRIMERA LIGHT (Primera Light Imported)
6. VINO KULAFU (Chinese Wine)
7. ANTONOV VODKA
8. DON ENRIQUE MIXKILA DISTILLED SPIRIT
9. AÑEJO GOLD RUM (65 Proof)
10. SAN MIGUEL ETHYL ALCOHOL

<u>For Export Only</u>

11. TONDEÑA GOLD RUM
12. TONDEÑA MANILA RUM (Gold)
13. MIX GIN
14. MIX RUM
15. MIX VODKA

Annex "B"

LIST OF PROPERTIES OWNED BY GINEBRA SAN MIGUEL INC. AND ITS SUBSIDIARIES
AS OF DECEMBER 31, 2021

	Owner	***Classification***	***Address***	***Condition***
1	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Tebag West, Sta. Barbara, Pangasinan	Good
2	Ginebra San Miguel Inc.	Land	Libsong East, Lingayen, Pangasinan	Good
3	Ginebra San Miguel Inc.	Land	Sta. Rita, Olongapo City, Zambales	Good
4	Ginebra San Miguel Inc.	Head Office	3rd and 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Good
5	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Silangan Industrial Estate, Brgy Pittland, Terelay Phase, Cabuyao, Laguna	Good
6	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Brgy. Gulang-gulang, Lucena City	Need to Rehabilitate
7	Ginebra San Miguel Inc.	Alcohol Depot (Land and Tanks)	Brgy. Cotta, Lucena City	Good
8	Ginebra San Miguel Inc.	Alcohol Depot (Tanks)	National Hi-way, Brgy. Tabangao, Aplaya, Batangas City	Good
9	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Subangdaku, Mandaue City, Cebu	Good
10	Ginebra San Miguel Inc.	Alcohol Depot (Tanks)	Mandaue Port, J. Cenniza St., Looc Mandaue City	Good
11	Ginebra San Miguel Inc.	Land	Brgy. Calumangan, Bago City, Negros Occidental	Good
12	Ginebra San Miguel Inc.	Sales Office	Km. 13.5, Brgy. Taloc, Bago City, Negros Occidental	Good
13	East Pacific Star Bottlers Phils Inc. *(Wholly-owned subsidiary of GSMI)*	Land	327 Prenza Highway,San Fermin, Cauayan City, Isabela	Good
14	East Pacific Star Bottlers Phils Inc. *(Wholly-owned subsidiary of GSMI)*	Land	Km. 503, Hacienda Mitra, Paulog, Ligao City, Albay	Good
15	East Pacific Star Bottlers Phils Inc. *(Wholly-owned subsidiary of GSMI)*	Plant (Buildings and Machineries)	327 Prenza Highway,San Fermin, Cauayan City, Isabela	Good

Annex "B"

LIST OF PROPERTIES OWNED
BY GINEBRA SAN MIGUEL INC.
AND ITS SUBSIDIARIES
AS OF DECEMBER 31, 2021

	Owner	***Classification***	***Address***	***Condition***
16	East Pacific Star Bottlers Phils Inc. *(Wholly-owned subsidiary of GSMI)*	Plant (Buildings, Machineries and Warehouse)	Km. 503, Hacienda Mitra, Paulog, Ligao City, Albay	Good
17	East Pacific Star Bottlers, Phils., Inc. *(Wholly-owned subsidiary of GSMI)*	Sales Office	Prenza Highway, San Fermin, Cauayan City, Isabela	Good
18	East Pacific Star Bottlers, Phils., Inc. *(Wholly-owned subsidiary of GSMI)*	Sales Office	Km. 503, Hacienda Mitra, Paulog, Ligao City, Albay	Good
19	Distileria Bago, Inc. *(Wholly-owned subsidiary of GSMI)*	Alcohol Distilery Plant (Land, Machineries and Buildings) Aged Alcohol Warehouse	Km. 13.5, Brgy. Taloc, Bago City, Negros Occidental	Good
20	Distileria Bago, Inc. *(Wholly-owned subsidiary of GSMI)*	Deepwell Water Source (Land and Deepwell facilities	Brgy., Taloc, Bago City, Negros Occidental	Good
21	Distileria Bago, Inc. *(Wholly-owned subsidiary of GSMI)*	Land (Relocation Site)	Brgy. Calumangan, Bago City, Negros Occidental	Good

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
NORTH LUZON							
1	SMC Shipping & Lighterage Corp.	Alcohol Depot (Tanks 1 and 2)	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Good	P544,642.86	October 31, 2022	Renewable by lessee at such terms and conditions mutually acceptable to the parties.
2	L.C. Lee Real Estate Lessor	Sales Admin Office	Lee Bldg., Nat'l. Hiway, Brgy. Carlatan, San Fernando City, La Union	Good	P17,368.42	December 31, 2021	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon.
3	Isabela Leaf Tobacco Co. Inc.	Warehouse (Pua Warehouse 1 and 3)	Don Jose Canciller St., Cauayan City, Isabela	Good	P398,088.00	March 31, 2022	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon.
4	Joseph V. Peralta Real Estate Lessor	Warehouse (Warehouse 1 and 2)	Brgy. Lunec, Malasiqui, Pangasinan	Good	P776,700.00	March 31, 2022	Subject to renewal or extension of such period on such terms and conditions mutually be agreed upon.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
5	Joseph V. Peralta Real Estate Lessor	Warehouse	Lunec Malasiqui Pangasinan	Good	P240,000.00	February 28, 2022	Short-term lease only. Not subject for renewal.
6	Joseph V. Peralta Real Estate Lessor	Warehouse	Mangaldan, Pangasinan	Good	P322,500.00	February 28, 2022	Short-term lease only. Not subject for renewal.
7	New Marich Ricemill	Warehouse	Prenza, San Fermin, Cauayan City Isabela	Good	P387,040.00	February 28, 2022	Short-term lease only. Not subject for renewal
8	New Marich Ricemill	Warehouse	Prenza San Fermin, Cauayan City Isabela	Good	P142,080.00	February 15, 2022	Short-term lease
9	Dagupan Heroes Ventures Corporation	Warehouse	Banaoang, Mangaldan, Pangasinan	Good	P150,000.00	February 28, 2022	Short-term lease only. Not subject for renewal.
10	R and E Premier Land Corporation	Warehouse	Gayaman, Binmaley, Pangasinan	Good	P577,800.00	March 31, 2022	Short-term lease only. Not subject for renewal
11	Alejo D. Sim Lessor	Warehouse	Mc Arthur Highway, Nancayasan, Urdaneta City Pangasinan	Good	P439,600.00	February 28, 2022	Short-term lease only. Not subject for renewal.
12	Irene Grains Center	Warehouse	Reina Mercedes, Isabela	Good	P207,360.00	March 31, 2022	Short-term lease only. Not subject for renewal.
13	Rodrigo C. Coquia Enterprises	Warehouse	Calasiao, Pangasinan	Good	P287,500.00	March 15, 2022	Short-term lease only. Not subject for renewal

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
CENTRAL LUZON							
1	Lin Ai Trading	Warehouse and Sales Office	#162 Baliti 2000 City of San Fernando Pampanga	Good	P475,000.00	December 31, 2022	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between parties.
2	Lin Ai Trading	Warehouse	Brgy. Baliti, San Fernando Pampanga	Good	P203,000.00	February 28, 2022	Short-term lease only. Not subject for renewal.
GMA/NCR							
1	Platinum 168, Inc.	Head Office	5th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Good	P1,009,518.72	August 31, 2023	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between parties.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
2	San Miguel Integrated Logistics Services, Inc.	Warehouse and Sales Office	#8380 Dr. A. Santos Avenue, BF Homes, Parañaque City	Good	P288,042.48	December 31, 2023	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
3	Maja Development Corporation	Warehouse and Sales Office	Maja Compound, Canley Road Corner E. Rodgriguez (C5), Bagong Ilog, Pasig City	Good	P926,044.35	June 15, 2022	Lessee may signify its intention to renew one hundred eighty (180) days prior the expiration of the Contract.
SOUTH LUZON							
1	OMLF International Trading and Development Corp.	Warehouse and Sales Office (Warehouse 7)	National Road, Brgy, Paciano Rizal, Calamba Laguna	Good	P155,400.00	February 15, 2022	Renewable upon mutual agreement of both parties under such terms and conditions as may be agreed upon

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

	Lessor	Classification of Leased Property	Address	Condition	Monthly Rental (In PHP)	Expiry of the Lease Contract	Terms of Renewal
2	OMLF International Trading and Development Corp.	Warehouse and Sales Office (Warehouse 8)	National Road, Brgy, Paciano Rizal, Calamba Laguna	Good	P155,400.00	June 15, 2022	Renewable upon mutual agreement of both parties under such terms and conditions as may be agreed upon
3	Broad Concept Landholdings, Inc.	Sales Admin Office	1080 Doňa Aurora Boulevard, Gulang Gulang, Lucena City	Good	P22,645.50	November 30, 2022	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.
4	Lode Mining Ventures Corporation	Land	Brgy. Tabangao, Aplaya, Batangas City	Good	P56,214.67	December 31, 2024	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.
5	International Development Management Corp.	Alcohol Depot (Tanks 1,2 and 3)	BBTI Compound, Bauan, Batangas	Good	P528,000.00	December 31, 2021	Lessee may renew this agreement by providing lessor its written intention to renew the agreement at least thirty (30) days prior to the expiration of its Term.

Annex “B”

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
6	International Development Management Corp.	Alcohol Depot (Tanks 4 and 6)	BBTI Compound, Bauan, Batangas	Good	P720,000.00	December 31, 2021	Lessee may renew this agreement by providing lessor its written intention to renew the agreement at least thirty (30) days prior to the expiration of its Term.
7	International Development Management Corp.	Alcohol Depot (Tanks 5 and 7)	BBTI Compound, Bauan, Batangas	Good	P720,000.00	December 31, 2021	Lessee may renew this agreement by providing lessor its written intention to renew the agreement at least thirty (30) days prior to the expiration of its Term.
8	International Development Management Corp.	Alcohol Depot (Tanks 8 and 9)	BBTI Compound, Bauan, Batangas	Good	P384,000.00	December 31, 2021	Lessee may renew this agreement by providing lessor its written intention to renew the agreement at least thirty (30) days prior to the expiration of its Term.
9	Milaor Trading Corporation	Warehouse 1	Barangay 42, Rawiz Legazpi City	Good	P121,500.00	June 30, 2022	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

	Lessor	Classification of Leased Property	Address	Condition	Monthly Rental (In PHP)	Expiry of the Lease Contract	Terms of Renewal
10	Milaor Trading Corporation	Warehouse 2	Barangay 42, Rawiz Legazpi City	Good	P101,250.00	April 30, 2022	Subject to renewal or extension upon expiration of such period, on such terms and conditions as may be mutually agreed upon by the parties
11	Southlane Realty and Development Corp.	Warehouse	National Road, Brgy. Sabang, Pagsanjan, Laguna	Good	P36,000.00	November 19, 2022	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.
12	Trevor Eton Realty Corp.	Warehouse	Pili, Camarines Sur	Good	P103,680.00	March 15, 2022	Short-term lease only. Not subject for renewal.
13	Orix Rental Corporation	Warehouse	Mayapa-Cadre, Canlubang Rd, Brgy. Paciano Rizal, Calamba Laguna	Good	P585,200.00	February 15, 2022	Short-term lease only. Not subject for renewal.
14	Tabaco Santiago Trading Inc	Warehouse	Purok 3, San Carlos, Tabaco City	Good	P96,426.00	February 28, 2022	Short-term lease only. Not subject for renewal
15	Tabaco Santiago Trading Inc.	Warehouse	Purok 3, San Carlos, Tabaco City	Good	P192,852.00	February 28, 2022	Short-term lease only. Not subject for renewal
16	Besmark Commodities, Inc.	Warehouse	National Highway, Barangay Del Rosario, Naga City	Good	P240,000.00	February 15, 2022	Short-term lease only. Not subject for renewal.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
17	LCI Commercial Ventures Inc.	Warehouse	Cabuya, Laguna	Good	P818,158.00	March 15, 2022	Short-term lease only. Not subject for renewal
18	LCI Commercial Ventures Inc.	Warehouse	Cabuya, Laguna	Good	P216,000.00	March 15, 2022	Short-term lease only. Not subject for renewal
VISAYAS							
1	San Miguel Corporation	Land (Alcohol Depot)	Brgy. Looc, City of Mandaue, Island of Cebu	Good	P92,586.85 Rental as of December 31 , 2021	December 31, 2022	Subject to renewal upon expiration for such period and under such terms and conditions as may be mutually acceptable to the parties.
2	SMC Shipping & Lighterage Corp.	Warehouse (Warehouse K)	Mandaue Port, J. Cenniza St., Looc, Mandaue City	Good	P357,142.86	December 31, 2021	Subject to renewal upon expiration for such period and under such terms and conditions as may be mutually acceptable to the parties.
3	Sheridan Marketing Inc.	Sales Admin Office	Picas Sagkahan, Diversion Road, Brgy. 59, Tacloban City	Good	P15,000.00	October 31, 2022	Subject to renewal upon expiration for such period and under such terms and conditions as may be mutually acceptable to the parties.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

	Lessor	Classification of Leased Property	Address	Condition	Monthly Rental (In PHP)	Expiry of the Lease Contract	Terms of Renewal
4	SMC Shipping & Lighterage Corp.	Warehouse (Warehouse T)	SMCSL Warehouse, Mandaue Port, J. Cenniza	Good	P522,000.00	February 28, 2022	Short-term lease only. Not subject for renewal.
5	SMC Shipping & Lighterage Corp.	Warehouse (Warehouse I)	SMCSL Warehouse, Mandaue Port, J. Cenniza	Good	P108,000.00	February 28, 2022	Short-term lease only. Not subject for renewal.
6	SMC Shipping & Lighterage Corp.	Warehouse (Warehouse C)	SMCSL Warehouse, Mandaue Port, J. Cenniza	Good	P170,000.00	February 28, 2022	Short-term lease only. Not subject for renewal.

MINDANAO							
1	San Miguel Corporation	Warehouse & Sales Office	Brgy. Talomo, Ulas, Davao City	Good	P49,500.00 Rental as of December 31, 2021	May 31, 2023	Subject to renewal or extension upon expiration of such period on such terms and conditions as may be mutually agreed upon between the parties.
2.	Pedal Realty	Warehouse & Sales Office	Limac Warehouse Diversion Road Bulua Zone 8 9000 Cagayan De Oro City	Good	P109,920.00 Rental as of December 31, 2021	April 30, 2024	Subject to renewal or extension upon expiration of such period on such terms and conditions as may be mutually agreed upon between the parties.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2021

Lessor		Classification of Leased Property	Address	Condition	Monthly Rental (In PHP)	Expiry of the Lease Contract	Terms of Renewal
3	Nesoricom Prime Arcade Inc.	Sales Admin Office	2nd flr., Nesoricom Prime Arcade, National Highway, Tiguma, Pagadian City	Good	P17,894.74	May 31, 2023	Subject to renewal or extension upon expiration of such period on such terms and conditions as may be mutually agreed upon between the parties.

***** Nothing Follows *****

GINEBRA SAN MIGUEL INC.

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

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

I. BASIS OF PREPARATION

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

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

Items	Measurement Basis
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

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

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

Adoption of Amended Standards

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

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

II. FINANCIAL PERFORMANCE

2021 vs. 2020

GSMI's consolidated revenue for the year amounted to P42,534 million, 17% better than last year's P36,202 million. Correspondingly, the Group's cost of sales increased to P31,761 million brought about by the higher volumes sold. Resulting gross profit of the Group reached P10,773 million, surpassing last year's by 17%.

A 61% improvement in the interest expense and other financing charges was observed in 2021 mainly from savings in loan settlements. In the same way, interest earnings posted an 18% increase from the previous year due to money market placements.

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

With the sustained revenue growth coupled with effective cost management, the Group's consolidated net income rose 52% to P4,179 million versus last year.

2020 vs. 2019

GSMI ended 2020 on a stronger note as consolidated revenue grew 25% to P36,202 million from P29,063 million of last year, driven by higher volume and price increase. Similarly, cost of sales increased by 28% from year ago, mainly due to higher volume and increase in excise taxes. This resulted to gross profit or P9,209 million which is 16% higher than 2019. The 12% increase in general and administrative expense was mainly brought about by the impairment provision for receivable.

Interest expense and other financing charges improved versus last year driven by the significant decline in interest-bearing liabilities.

No further losses on equity investment in joint ventures was recognized in 2020.

On the other hand, retirement of various assets brought about the loss on disposal/retirement of property, plant and equipment and other noncurrent assets – net amounting to P15 million in 2020.

The increase for other income was due to the recognized marked-to-market gains and higher tolling income.

As a result, the Group achieved a consolidated net income of P2,757 million, higher by 65% versus last year.

III. FINANCIAL POSITION

2021 vs. 2020

Inventories amounting to P8,730 million, a 47% rise versus last year, was mainly attributed to the inventory build-up during the last quarter of 2021.

The increase in the company's total liabilities was mainly due to the increase in the defined pension cost liability, offset by the partial payment of its long-term debt.

Cash and cash equivalents dropped by 16% to P2,379 million from last year owing to the higher spending on inventories and the P1,000 million buy back of all outstanding preferred shares. The company also paid out cash dividends to shareholders amounting to P1,110 million. On the other hand, accounts receivable increased by 9% to 1,037 million due to higher credit sales.

2020 vs. 2019

Cash balance of P2,820 million, an upturn of P2,465 billion from a year ago was mainly due to higher operating income and collections. This is also evident in the decrease in accounts receivable by 39% ending at P954 million in 2020.

Higher excise tax prepayments and net derivative gains resulted to the increase in prepaid taxes and other current assets by 7%.

Total noncurrent assets amounted to P5,180 million, with a 7% fall from last year due to fixed assets and other noncurrent assets depreciation and amortization, as well as translation adjustments on investments in joint venture.

Strong cash flows enabled the Company to pay off debts, reducing interest-bearing loans such as notes payable and long-term debt (net of debt issue cost) to 100% and 49%, respectively.

Accounts payable and accrued expenses ended at P5,146 million, P938 million higher than year ago, on account of several alcohol purchases towards year end.

Lease liabilities amounting to P178 million, decreased by P50 million due to rental payment of capitalizable leases.

IV. Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	December 31	
	2021	2020
	(in Millions)	
Net cash flows provided by operating activities	P2,529	P5,179
Net cash flows used in investing activities	(625)	(388)
Net cash flows used in financing activities	(2,347)	(2,322)

Net cash flows provided by operating activities consist of income before income tax for the period and the effect of changes in current assets and certain current liabilities, and others.

Net cash flows used in investing activities include the following:

	December 31	
	2021	2020
	(in Millions)	
Proceeds from sale of investments and property and equipment	P6	P2
Decrease in other noncurrent assets	(34)	13
Additions to property, plant and equipment	(589)	(403)

Major components of net cash flows used in financing activities are as follows:

	December 31	
	2021	2020
	(in Millions)	
Payments of lease liabilities	(P71)	(P87)
Payments of short-term and long-term borrowings	(167)	(4,066)
Redemption of preferred shares	(1,000)	-
Cash dividends paid	(1,110)	(329)
Proceeds from short-term and long-term borrowings	-	2,160

The effect of exchange rate changes on cash and cash equivalents amounted to P2.8 million and (P3.5) million for the periods ended December 31, 2021 and 2020, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures used by the Group. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II, "Financial Performance" of the Management Discussion and Analysis (MD&A), for the discussion of certain computed Key Performance Indicators.

KPI	As of December 31, 2021	As of December 31, 2020
Liquidity:		
Current Ratio	2.23	1.90
Solvency:		
Debt to Equity Ratio	0.60	0.70
Asset to Equity Ratio	1.60	1.70

Profitability: Return on Average Equity Interest Rate Coverage Ratio	 40% 115.49	 33% 33.48

	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020
Operating Efficiency: Volume Growth Revenue Growth Operating Margin	 8% 17% 12%	 8% 25% 11%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of All Businesses' Volume}}{\text{Prior Period Volume}}\right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

VI. OTHER MATTERS

a. *Commitments*

The outstanding purchase commitments of the Group amounted to US$92 million (P4,699 million), as of December 31, 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. No provision was recognized in 2021, 2020 and 2019.

1. Tax Cases Pending with the Court of Tax Appeals ("CTA")

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA En Banc Case No. 2555
CTA Case Nos. 8953 and 8954 (Consolidated)

These cases pertain to GSMI's Claims for Refund with the BIR, in the amount of P581.7 million in Case No. 8953, and P133.6 million in Case No. 8954, or in the total amount of P715.3 million, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, The CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the Commissioner of Internal Revenue filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P319.8 million out of its original claim of P715.3 million.

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 July 28, 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.

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
SC G.R. No. 25839
CTA En Banc Case No. 2308
CTA Case No. 9059

This case pertains to GSMI’s Claim for Refund with the BIR, in the total amount of P26.2 million, 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 February 6, 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 16, 2021, GSMI elevated the Decision of the CTA En Banc to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 25839.

2. Intellectual Property Cases Pending with the Supreme Court (“SC”)

In a Resolution dated January 14, 2019, the SC Third Division resolved to consolidate all the cases enumerated below. The cases are still pending with the said division of the SC.

Ginebra San Miguel Inc. vs. Director General of the Intellectual Property Office
G.R. No. 196372
SC En Banc

This case pertains to GSMI’s application for the registration of the trademark “GINEBRA” under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI’s application on the ground that “GINEBRA” is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals (CA) affirmed the IPOPHL’s ruling, GSMI filed a Petition for Review on Certiorari (the “Petition”) with the SC. The SC denied GSMI’s Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC *En Banc.* The SC denied GSMI’s Motion for Reconsideration with finality, as well as GSMI’s Motion to Refer to its Motion for

Reconsideration to the SC *En Banc*.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of *"League of Cities vs. Commission of Elections"* (G.R. Nos. 176951, 177499 and 178056) to invite the SC *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the SC *En Banc* Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On January 4, 2019, the SC Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R. Nos. 216104, 210224 and 219632) with the En Banc case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of [TDI] and [GSMI] before the [IPO]."

On February 3, 2020, GSMI filed a Manifestation with the 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.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. Nos. 210224 and 219632
SC - En Banc

These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 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.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. No. 216104
SC - En Banc

This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 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.

3. Case Pending with the Securities and Exchange Commission

Josefina Multi-Ventures Corporation vs. San Miguel Corporation,
San Miguel Food and Beverage, Inc. and Ginebra San Miguel Inc.
SEC Case No. 05-18-468

Josefina Multi-Ventures Corporation (the "Petitioner"), one of the stockholders of GSMI, filed a petition against SMC, SMFB and GSMI, docketed as SEC Case No. 05-18-468 (the "Petition"), questioning the share swap transaction between SMFB and SMC relative, among others to, the transfer of SMC's common shares in GSMI in exchange of SMFB's common shares.

The Petition sought (I) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from the increase in SMFB's capital stock; and, (b) SMFB's Certificate of Approval of

Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries SMB and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc. In a Decision dated September 14, 2020, the SEC En Banc denied the Appeal Memorandum filed by Josefina for lack of merit.

c. *Foreign Exchange Rates*

The foreign exchange rates used in translating the Thai Baht accounts of foreign joint ventures to Philippine peso were closing rates of P1.53 and P1.60 in 2021 and 2020, respectively, for consolidated statements of financial position accounts; and average rates of P1.50, P1.60 and P1.68 in 2021, 2020 and 2019, respectively, for income and expense accounts.

SEC CiFSS-OST Initial Acceptance

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

Wed 4/13/2022 2:35 PM

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Greetings!

SEC Registration No: 0000142312
Company Name: GINEBRA SAN MIGUEL, INC.
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City,
1307, Metro Manila, Philippines

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Annex "D"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021, 2020 and 2019

With Independent Auditors' Report

C O V E R   S H E E T

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 4 2 3 1 2

COMPANY NAME

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

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

3rd and 6th Floor, San Miguel Properties Centre, St. Francis Street, Ortigas Center Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	(632) 8841-5100	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
629	May 27	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
Cynthia M. Baroy	cmbaroy@ginebra.sanmiguel.com.ph	(632) 8841-5100	

CONTACT PERSON's ADDRESS

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.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of Ginebra San Miguel Inc. (the Company) is responsible for the preparation and fair presentation of the Consolidated Financial Statements, including the additional components attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the Consolidated Financial Statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the Consolidated Financial Statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

CYNTHIA M. BAROY
Chief Finance Officer

RAMON S. ANG
President

Signed this 9th day of March 2022

SUBSCRIBED AND SWORN to before me this 11 APR 2022, affiant exhibiting to me their Passport, as follow:

NAME	**PASSPORT NO.**	**DATE OF ISSUE**	**PLACE OF ISSUE**
Ramon S. Ang	P2247867B	May 22, 2019	DFA Manila
Cynthia M. Baroy	P5612173A	January 13, 2018	DFA NCR East

CHRISTINE ANGELICA D. FELIX
NOTARY PUBLIC
ROLL NO. 64625
MANDALUYONG CITY, PHILIPPINES

CHRISTINE ANGELICA D. FELIX
Commission No. 0586-21
Notary Public for Mandaluyong City
Until December 31, 2022
GSMI, 6th Floor, San Miguel Properties Centre,
St. Francis Street, Mandaluyong City
Roll No. 64625
PTR No. 4877816; 01/20/2022; Mandaluyong City
IBP Lifetime Member No. 013708; 04/13/2015; RSM

Doc. No. 372;
Page No. 76;
Book No. I;
Series of 2022.

KPMG

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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (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 consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, is of most significance in our audit of the consolidated financial statements of the current period. This matter is addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue Recognition (P42,534 million)

Refer to Note 3, *Significant Accounting Policies* to the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group. 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 is not complex for the Group, revenue may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

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

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

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

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

- We vouched, on a sampling basis, sales transactions to supporting documentation such as sales invoices and delivery documents to ascertain that revenue recognition criteria is met.

- We tested, on a sampling basis, sales transactions for the last month of the reporting period and also the first month of the following reporting period to supporting documentation such as sales invoices and delivery documents to assess whether these transactions are recorded in the appropriate reporting period.

- We tested high risk journal entries posted to revenue accounts to identify unusual or irregular items.

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

Other Information

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

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

In connection with our audits 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 audits 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 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 matter communicated with those charged with governance, we determine that matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter 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 Maria Arleene C. Yu.

R.G. MANABAT & CO.

Maria Arleene C. Yu
MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 225-068-761
BIR Accreditation No. 08-001987-041-2020
Issued December 22, 2020, valid until December 21, 2023
PTR No. MKT 8854089
Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(In Thousands)

	Note	**2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 5, 30, 31*	**P2,379,166**	P2,819,574
Trade and other receivables - net	*4, 6, 26, 30, 31*	**1,036,748**	953,698
Inventories	*4, 7*	**8,730,041**	5,946,809
Prepaid expenses and other current assets	*8, 26, 30, 31*	**1,123,525**	1,154,046
Total Current Assets		**13,269,480**	10,874,127
Noncurrent Assets			
Investments in joint ventures	*4, 9*	**-**	4,451
Property, plant and equipment - net	*4, 10*	**4,236,248**	4,221,595
Right-of-use assets - net	*4, 11, 26, 27*	**176,083**	156,597
Goodwill - net	*4, 12*	**126,863**	126,863
Deferred tax assets - net	*4, 17*	**499,574**	582,807
Other noncurrent assets - net	*4, 13, 26, 30, 31*	**88,763**	87,606
Total Noncurrent Assets		**5,127,531**	5,179,919
		P18,397,011	P16,054,046
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*14, 26, 30, 31*	**P5,143,987**	P5,146,148
Income and other taxes payable		**590,139**	377,018
Current maturities of long-term debt - net of debt issue costs	*16, 24, 30, 31*	**165,417**	165,417
Lease liabilities - current portion	*26, 27, 30*	**56,860**	31,724
Notes payable	*15, 26*	**-**	-
Total Current Liabilities		**5,956,403**	5,720,307
Noncurrent Liabilities			
Retirement liabilities	*4, 28*	**621,920**	404,797
Long-term debt - net of current maturities and debt issue costs	*16, 30, 31*	**165,430**	330,847
Lease liabilities - net of current portion	*26, 27, 30*	**134,247**	146,036
Total Noncurrent Liabilities		**921,597**	881,680
Total Liabilities		**6,878,000**	6,601,987
Equity	*18*		
Capital stock		**399,063**	399,063
Additional paid-in capital		**2,539,454**	2,539,454
Equity reserves		**(366,345)**	(400,215)
Retained earnings:			
Appropriated		**3,512,000**	2,500,000
Unappropriated		**9,104,812**	7,083,730
Treasury stock		**(3,669,973)**	(2,669,973)
Total Equity		**11,519,011**	9,452,059
		P18,397,011	P16,054,046

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Thousands, Except Per Share Data)

	Note	2021	2020	2019
SALES	*26*	**P42,534,124**	P36,201,782	P29,063,235
COST OF SALES	*19*	**31,760,865**	26,993,100	21,127,308
GROSS PROFIT		**10,773,259**	9,208,682	7,935,927
SELLING AND MARKETING EXPENSES	*20*	**(3,100,609)**	(2,836,732)	(2,771,512)
GENERAL AND ADMINISTRATIVE EXPENSES	*21*	**(2,379,745)**	(2,565,925)	(2,286,235)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*10, 15, 16, 24, 27, 28*	**(48,210)**	(122,330)	(169,601)
EQUITY IN NET LOSSES OF JOINT VENTURES	*9*	**-**	-	(238,125)
INTEREST INCOME	*5, 26*	**38,471**	32,656	31,594
GAIN (LOSS) ON DISPOSAL/RETIREMENT OF NONCURRENT ASSETS - Net	*10,13*	**5,583**	(14,891)	1,532
OTHER INCOME - Net	*25*	**271,922**	302,353	117,762
INCOME BEFORE INCOME TAXES		**5,560,671**	4,003,813	2,621,342
INCOME TAX EXPENSE - Net	*17*	**1,381,732**	1,247,302	949,554
NET INCOME		**P4,178,939**	P2,756,511	P1,671,788
Basic and Diluted Earnings Per Share	*29*	**P14.59**	P9.46	P5.67

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

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

(In Thousands)

	Note	**2021**	2020	2019
NET INCOME		**P4,178,939**	P2,756,511	P1,671,788
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss				
Share in other comprehensive income (loss) of joint ventures	*9*	**(4,451)**	(53,512)	15,677
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*28*	**89,633**	(50,333)	(182,785)
Income tax	*17*	**(51,312)**	15,100	54,835
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**33,870**	(88,745)	(112,273)
TOTAL COMPREHENSIVE INCOME - Net of tax		**P4,212,809**	P2,667,766	P1,559,515

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

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

(In Thousands)

		Capital Stock			Equity Reserves		Retained Earnings		Treasury Stock		
	Note	Common	Preferred	Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Appropriated	Unappropriated	Common	Preferred	Total
As at January 1, 2021		P345,625	P53,438	P2,539,454	(P404,666)	P4,451	P2,500,000	P7,083,730	(P1,947,198)	(P722,775)	P9,452,059
Share in other comprehensive loss of joint ventures	*9*	-	-	-	-	(4,451)	-	-	-	-	(4,451)
Equity reserve for retirement plan	*28*	-	-	-	38,321	-	-	-	-	-	38,321
Other comprehensive loss		-	-	-	38,321	(4,451)	-	-	-	-	33,870
Net income		-	-	-	-	-	-	4,178,939	-	-	4,178,939
Total comprehensive income		-	-	-	38,321	(4,451)	-	4,178,939	-	-	4,212,809
Redemption of preferred shares		-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Appropriations - net		-	-	-	-	-	1,012,000	(1,012,000)	-	-	-
Cash dividends and distribution:											
Common		-	-	-	-	-	-	(1,145,311)	-	-	(1,145,311)
Preferred		-	-	-	-	-	-	(546)	-	-	(546)
As at December 31, 2021	*18*	P345,625	P53,438	P2,539,454	(P366,345)	P -	P3,512,000	P9,104,812	(P1,947,198)	(P1,722,775)	P11,519,011

Forward

	Note	Capital Stock		Additional Paid-in Capital	Equity Reserves		Retained Earnings		Treasury Stock		Total
		Common	Preferred		Reserve for Retirement Plan	Cumulative Translation Adjustments	Appropriated	Unappropriated	Common	Preferred	
As at January 1, 2020		P345,625	P53,438	P2,539,454	(P369,433)	P57,963	P2,500,000	P4,662,727	(P1,947,198)	(P722,775)	P7,119,801
Share in other comprehensive loss of joint ventures	*9*	-	-	-	-	(53,512)	-	-	-	-	(53,512)
Equity reserve for retirement plan	*28*	-	-	-	(35,233)	-	-	-	-	-	(35,233)
Other comprehensive loss		-	-	-	(35,233)	(53,512)	-	-	-	-	(88,745)
Net income		-	-	-	-	-	-	2,756,511	-	-	2,756,511
Total comprehensive income		-	-	-	(35,233)	(53,512)	-	2,756,511	-	-	2,667,766
Cash dividends and distribution:											
Common		-	-	-	-	-	-	(286,328)	-	-	(286,328)
Preferred		-	-	-	-	-	-	(49,180)	-	-	(49,180)
As at December 31, 2020	*18*	P345,625	P53,438	P2,539,454	(P404,666)	P4,451	P2,500,000	P7,083,730	(P1,947,198)	(P722,775)	P9,452,059
As at January 1, 2019		P345,625	P53,438	P2,539,454	(P241,483)	P42,286	P2,500,000	P3,683,009	(P1,947,198)	(P722,775)	P6,252,356
Share in other comprehensive loss of joint ventures	*9*	-	-	-	-	15,677	-	-	-	-	15,677
Equity reserve for retirement plan	*28*	-	-	-	(127,950)	-	-	-	-	-	(127,950)
Other comprehensive income (loss)		-	-	-	(127,950)	15,677	-	-	-	-	(112,273)
Net income		-	-	-	-	-	-	1,671,788	-	-	1,671,788
Total comprehensive income		-	-	-	(127,950)	15,677	-	1,671,788	-	-	1,559,515
Cash dividends and distribution:											
Common		-	-	-	-	-	-	(286,332)	-	-	(286,332)
Preferred		-	-	-	-	-	-	(405,738)	-	-	(405,738)
As at December 31, 2019	*18*	P345,625	P53,438	P2,539,454	(P369,433)	P57,963	P2,500,000	P4,662,727	(P1,947,198)	(P722,775)	P7,119,801

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

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

	Note	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P5,560,671**	P4,003,813	P2,621,342
Adjustments for:				
Depreciation and amortization	*10, 11, 13, 22*	**679,606**	746,791	723,218
Retirement expense	*23, 28*	**469,921**	79,318	60,738
Net derivative loss (gain)	*25, 31*	**96,759**	(88,294)	(33,221)
Provision for impairment losses	*6, 21, 25*	**83,126**	544,417	112,804
Interest expense and other financing charges	*10, 15, 16, 24, 27, 28*	**48,210**	122,330	169,601
Equity in net losses of joint ventures	*9*	**-**	-	238,125
Net unrealized foreign exchange gain (loss)	*25, 30*	**(2,659)**	1,860	806
Loss (gain) on disposal/retirement of noncurrent assets - net	*10, 13*	**(5,583)**	14,891	(1,532)
Interest Income	*5, 26*	**(38,471)**	(32,656)	(31,594)
Operating income before working capital changes		**6,891,580**	5,392,470	3,860,287
Decrease (increase) in:				
Trade and other receivables		**(165,026)**	44,493	198,712
Inventories		**(2,820,854)**	237,535	(2,187,938)
Prepaid expenses and other current assets		**(421,710)**	(410,393)	(169,759)
Increase (decrease) in:				
Accounts payable and accrued expenses		**(37,910)**	932,089	1,502,775
Other taxes payable		**115,507**	(86,554)	(118,750)
Cash generated from operations		**3,561,587**	6,109,640	3,085,327
Interest received		**37,313**	41,515	22,647
Contribution to retirement plan	*28*	**(178,323)**	(105,892)	(137,105)
Interest and other financing charges paid		**(25,061)**	(94,580)	(142,958)
Income taxes paid		**(866,239)**	(772,019)	(502,889)
Net cash flows provided by operating activities		**2,529,277**	5,178,664	2,325,022

Forward

	Note	2021	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	*10*	**(P588,643)**	(P403,149)	(P386,631)
Additions in advances to suppliers		**(9,272)**	-	(9,555)
Proceeds from disposal of property and equipment	*10*	**6,383**	2,329	1,846
Decrease (increase) in other noncurrent assets		**(33,562)**	12,781	41,117
Net cash flows used in investing activities		**(625,094)**	(388,039)	(353,223)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings	*15*	**-**	1,664,200	7,714,000
Long-term borrowings	*16*	**-**	496,250	-
Payments of:				
Short-term borrowings	*15*	**-**	(3,183,200)	(8,671,100)
Lease liabilities	*27*	**(70,571)**	(87,249)	(79,665)
Long-term borrowings	*16*	**(166,667)**	(882,353)	(117,647)
Cash dividends		**(1,110,178)**	(329,330)	(686,960)
Redemption of preferred shares	*18*	**(1,000,000)**	-	-
Net cash flows used in financing activities		**(2,347,416)**	(2,321,682)	(1,841,372)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**2,825**	(3,500)	(771)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(440,408)**	2,465,443	129,656
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*5*	**2,819,574**	354,131	224,475
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P2,379,166**	P2,819,574	P354,131

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data and Number of Shares)

1. Reporting Entity

Ginebra San Miguel Inc. (GSMI or the Company), a subsidiary of San Miguel Food and Beverage, Inc. (SMFB or Parent Company), was incorporated in the Philippines on July 10, 1987. SMFB is a subsidiary of San Miguel Corporation (SMC or Intermediate Parent Company). Top Frontier Investment Holdings, Inc. (Top Frontier) is the ultimate parent company of GSMI.

GSMI is primarily engaged in the manufacture and sale of alcoholic beverages.

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

The Company is a public company under Section 17.2 of the Securities Regulation Code and its common shares are listed on The Philippine Stock Exchange, Inc.

The corporations comprising the Group have a corporate life of 50 years pursuant to their Articles of Incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, existing and future corporations have been granted perpetual corporate life. Thus, the corporations comprising the Group shall have a perpetual corporate life.

The registered office address of the Company is 3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City.

2. Basis of Preparation

Statement of Compliance

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

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

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

Items	Measurement Basis
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

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

Basis of Consolidation
The consolidated financial statements include the accounts of the Group and the following wholly-owned subsidiaries:

Name of Subsidiary	Country of Incorporation
Distileria Bago, Inc. (DBI)	Philippines
East Pacific Star Bottlers Phils Inc. (EPSBPI)	Philippines
Agricrops Industries Inc. (AII)	Philippines
Healthy Condiments, Inc. (HCI)	Philippines
Crown Royal Distillers, Inc. (CRDI)	Philippines
Ginebra San Miguel International Ltd. (GSMIL)	British Virgin Islands (BVI)
GSM International Holdings Limited (GSMIHL)	BVI
Global Beverages Holdings Limited (GBHL)	BVI
Siam Holdings Limited (SHL)	BVI

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 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.

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 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 Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

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

Adoption of Amended Standard

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

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

Amended Standards Not Yet Adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  - Conditions which the entity must comply within 12 months after the reporting period will have no effect on the classification as current or non-current.

  - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within 12 months.

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

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

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

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

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

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

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

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

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

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

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

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

Current versus Noncurrent Classification

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

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

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

Financial Instruments

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

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

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

Financial Assets

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (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 and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

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

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

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

The Group has no financial assets at FVOCI as at December 31, 2021 and 2020.

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

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

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

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

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included under this category (Notes 5, 6, 13, 30 and 31).

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

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

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

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income.

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 8, 30 and 31).

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

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

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

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 14, 30 and 31).

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, accounts payable and accrued expenses, long-term debt and lease liabilities are included under this category (Notes 14, 16, 27, 30 and 31).

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

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

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

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

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

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

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

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 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.

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

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

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

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

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

Derivative Financial Instrument
Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

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

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

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

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

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

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

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

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

The Group has embedded derivatives as at December 31, 2021 and 2020 (Notes 8,14, 30 and 31).

Inventories
Finished goods and 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	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method.
Materials and supplies	-	at cost, using the 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.

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

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

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

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

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 "General 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.

Investments in Joint Ventures
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 joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in 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 joint venture since the acquisition date. Goodwill relating to the 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 joint venture is recognized as "Equity in net losses of 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 joint venture arising from changes in the joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income of joint ventures" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in 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 joint venture and then recognizes the loss as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

Upon loss of 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 joint venture upon loss of 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 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.

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

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

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

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

	Number of Years
Land improvements	5 - 10
Buildings and improvements	20 - 50
Transportation equipment	5
Machinery and equipment	3 - 40
Furniture, fixtures and other equipment	2 - 5
Leasehold improvements	10 - 30 or term of the lease, whichever is shorter

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

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

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

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

<u>Leases</u>
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 and land improvements	9.5 - 15
Building and improvements	2 - 15

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

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

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., leases 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 (i.e., office equipment). The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The practical expedient is applied consistently to contracts with similar characteristics and in similar circumstances. The impact of applying practical expedient is considered not material to the consolidated financial statements.

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

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

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

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

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

<u>Intangible Assets</u>
Intangible assets acquired separately are measured on initial recognition at cost. 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 computer software is computed using the straight-line method over the estimated useful life of four to ten years.

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
Deferred containers (shells and pallets) are stated at cost and are amortized over the estimated useful life of ten years. These are presented under “Other noncurrent assets - net” account in the consolidated statements of financial position. Amortization of deferred containers is included under “General and administrative expenses” account in the consolidated statements of income.

Impairment of Non-financial Assets
The carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, intangible assets, deferred containers and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is 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
The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

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

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

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

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

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

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

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

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

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

Provisions

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

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

Capital Stock and Additional Paid-in Capital

Common Shares

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

Preferred Shares
Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the 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 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 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 Goods
Revenue from sale of goods 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 are determined at inception of the contract and is not subject to variability. Trade returns do not result to significant variable consideration. The general payment terms with customers are cash-on-delivery and credit terms which are generally 30 to 60 days from invoice date.

Revenue from Other Sources
Tolling Fee. Tolling fee is recognized when the performance of contractually agreed task has been rendered and control over the service has been transferred to the customer. General payment terms is on an average of 30 days from invoice date.

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

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

Rent Income. Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Others. Other income is recognized when earned.

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.

Research Costs
Research costs are expensed as incurred.

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 “Cumulative translation adjustments” account in the consolidated statements of changes in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the cumulative translation adjustments related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal.

When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statements of income.

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 “Cumulative translation adjustments” account in the consolidated statements of changes in equity.

The functional currency of GSMIL, GSMIHL, GBHL and SHL is the Philippine peso, while that of Thai San Miguel Liquor Co. Limited (TSML) and Thai Ginebra Trading (TGT) is the Thailand Baht (THB). The assets and liabilities of TSML and TGT are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their income and expenses are translated at the average exchange rates for the year.

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 consolidated statements of income. 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 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 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.

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Income and other taxes payable” accounts in the consolidated statements of financial position.

<u>Related Parties</u>
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

<u>Basic and Diluted Earnings Per Common Share (EPS)</u>
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Group, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

<u>Operating Segment</u>
The reporting format of the Group’s operating segment 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 Group has a single segment which is the alcoholic beverages segment.

<u>Contingencies</u>
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.

<u>Events After the Reporting Date</u>
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:

Determining whether a Contract Contains a Lease. 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 significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized as part of “Other income - net” account in the consolidated statements of income, amounted to P142, P181 and P444 in 2021, 2020 and 2019, respectively (Notes 25, 26 and 27).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P191,107 and P177,760 as at December 31, 2021 and 2020, respectively (Notes 26, 27, 30 and 31).

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 TSML and TGT as joint ventures (Note 9).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 31.

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 33).

Estimates and Assumptions
The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least three 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 P1,954 and P212,196 in 2021 and 2020. The allowance for impairment losses on trade receivables amounted to P7,929 as at December 31, 2021 and 2020 (Notes 6 and 13). The carrying amount of trade receivables amounted to P781,129 and P646,880 as at December 31, 2021 and 2020, respectively (Notes 6, 13, 30 and 31).

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 forward-looking default rate component of its 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. 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 other financial assets at amortized cost.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2021**	2020
Other Financial Assets at Amortized Cost			
Cash and cash equivalents	*5*	**P2,379,166**	P2,819,574
Non-trade receivables - net of allowance for impairment losses* (included under "Trade and other receivables - net" account)	*6*	**255,619**	306,818
Noncurrent receivables and deposits - net of allowance for impairment losses** (included under "Other noncurrent assets - net" account)	*13*	**493**	493

**Allowance for impairment losses on non-trade receivables amounted to P673,141 and P682,607 as at December 31, 2021 and 2020, respectively.*

***Allowance for impairment losses on noncurrent receivables and deposits amounted to nil and P41,743 as at December 31, 2021 and 2020, respectively.*

Variable Consideration under Revenue. Revenue from sales is recognized based on the price specified in the contract, net of the estimated volume discounts and returns. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A provision for sales discount is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made through cash on delivery or with credit terms of 30 to 60 days, which is consistent with market practice.

It is the Group's policy to sell its products to the customer with a right of return. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

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 8, 9, 10, 11, 12, 14, 28, 30 and 31.

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 P141,792 and P227,468 as at December 31, 2021 and 2020, respectively (Note 7).

The carrying amount of inventories amounted to P8,730,041 and P5,946,809 as at December 31, 2021 and 2020 respectively (Note 7).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, right-of-use assets 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 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 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 and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

There are no changes in the estimated useful lives of property, plant and equipment, right-of-use assets and deferred containers as at December 31, 2021 and 2020.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P4,543,848 and P4,529,195 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P8,952,518 and P8,420,190 as at December 31, 2021 and 2020, respectively (Note 10).

Right-of-use assets, net of accumulated depreciation and amortization amounted to P176,083 and P156,597 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P104,275 and P118,202 as at December 31, 2021 and 2020, respectively (Note 11).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P27,391 and P60,134 as at December 31, 2021 and 2020, respectively. Accumulated amortization of deferred containers amounted to P347,618 and P314,875 as at December 31, 2021 and 2020, respectively (Note 13).

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.

There are no changes in the useful lives of computer software as at December 31, 2021 and 2020.

Intangible assets, net of accumulated amortization, included as part of "Other noncurrent assets" account in the consolidated statements of financial position amounted to P37,196 and P9,739 as at December 31, 2021 and 2020, respectively. Accumulated amortization of intangible assets amounted to P73,746 and P85,864 as at December 31, 2021 and 2020, respectively (Note 13).

Impairment of Goodwill. The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P126,863 as at December 31, 2021 and 2020 (Note 12).

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 P499,574 and P582,807 as at December 31, 2021 and 2020, respectively (Note 17).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments in joint ventures, property, plant and equipment, intangible assets with finite useful lives, deferred containers, idle assets and right-of-use 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 investments in joint ventures, property, plant and equipment, and idle assets amounted to P551,399 and P773,545 as at December 31, 2021 and 2020, respectively (Notes 9, 10 and 13).

The combined carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, deferred containers, intangible assets with finite useful lives, and idle assets amounted to P4,476,918 and P4,452,516 as at December 31, 2021 and 2020 respectively (Notes 9, 10, 11 and 13).

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 28 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 P1,764,326 and P1,431,055 as at December 31, 2021 and 2020, respectively (Note 28).

Asset Retirement Obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant ARO as at December 31, 2021 and 2020.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	2021	2020
Cash in banks and on hand		**P489,266**	P308,174
Short-term investments		**1,889,900**	2,511,400
	30, 31	**P2,379,166**	P2,819,574

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.

Interest income earned from cash in banks and short-term investments amounted to P38,471, P32,656 and P12,214 in 2021, 2020 and 2019, respectively.

6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2021	2020
Trade:			
Third parties		**P768,480**	P640,242
Related parties	*26*	**20,578**	14,567
Non-trade:			
Third parties		**212,182**	291,276
Related parties	*26*	**716,578**	698,149
		1,717,818	1,644,234
Less allowance for impairment losses		**681,070**	690,536
	30, 31	**P1,036,748**	P953,698

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term. Allowance for impairment losses pertaining to trade receivables amounted to P7,929 as at December 31, 2021 and 2020.

Non-trade receivables from third parties consist of the following: (i) receivable from employees amounting to P22,715 and P26,810 as at December 31, 2021 and 2020, respectively; (ii) sale of raw materials amounting to nil and P88,643 as at December 31, 2021 and 2020, respectively; (iii) tax certificate receivables amounting to P62,326 and P60,028 as at December 31, 2021 and 2020, respectively; (iv) insurance claims amounting to nil and P29,560 as at December 31, 2021 and 2020, respectively; and (v) miscellaneous receivables amounting to P127,141 and P86,235 as at December 31, 2021 and 2020, respectively. These are generally collectible on demand. Allowance for impairment losses pertaining to non-trade receivables amounted to P673,141 and P682,607 as at December 31, 2021 and 2020, respectively.

The movements in allowance for impairment losses for trade and other receivables are as follows:

	Note	2021	2020
Balance at beginning of year		**P690,536**	P251,745
Charges for the year	*21*	**83,126**	544,417
Amounts written off	*30*	**(92,356)**	(105,626)
Reversal of impairment loss	*25*	**(236)**	-
Balance at end of year	*4*	**P681,070**	P690,536

The reversal of impairment loss amounting to P236 is included as part of "Gain on miscellaneous items" under "Other Income" account in the consolidated statements of income in 2021.

7. Inventories

Inventories consist of:

	2021	2020
At net realizable value:		
Finished goods	**P5,937,000**	P3,117,199
Materials and supplies	**2,793,041**	2,829,610
	P8,730,041	P5,946,809

The cost of finished goods amounted to P5,921,597 and P3,127,687 as at December 31, 2021 and 2020, respectively.

The cost of materials and supplies amounted to P2,950,236 and P3,046,590 as at December 31, 2021 and 2020, respectively.

The amount of inventories recognized as expense amounted to P12,638,837, P12,317,181 and P10,579,541 in 2021, 2020 and 2019, respectively (Note 19).

The movements in allowance for write-down of inventories to NRV at the beginning and end of 2021 and 2020 follow:

	Note	2021	2020
Balance at beginning of year		**P227,468**	P398,288
Write-off		**(85,676)**	(170,820)
Balance at end of year	*4*	**P141,792**	P227,468

No write-down of inventories to net realizable value in 2021 and 2020.

8. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	2021	2020
Prepaid taxes		**P1,090,289**	P1,070,202
Derivative assets	*30, 31*	**223**	26,404
Others	*26*	**33,013**	57,440
		P1,123,525	P1,154,046

Prepaid taxes represent prepayments of excise taxes on alcohol and income taxes.

Others include prepaid insurance, prepaid rental, miscellaneous prepaid expense, and advances to suppliers and amounts owed by a related party amounting to P1,525 and nil as at December 31, 2021 and 2020, respectively (Note 26).

The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 31.

9. 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 the Group 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.

b. TGT

The Group 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 Group's investments in joint ventures which are accounted for using the equity method are as follows:

TSML	2021	2020	2019
Current assets (including cash and cash equivalents - 2021: P140,734; 2020: P220,999 and 2019: P285,214)	**P772,124**	P942,332	P986,335
Noncurrent assets	**828,246**	988,548	1,179,087
Current liabilities (including financial liabilities - 2021: P1,206,014; 2020: P1,267,081; and 2019: P1,342,289)	**(1,281,317)**	(1,377,984)	(1,492,064)
Noncurrent liabilities (including financial liabilities)	**-**	-	(1,283)
Net assets	**319,053**	552,896	672,075
Percentage of ownership	**44.9%**	44.9%	44.9%
Amount of investment in joint venture	**143,255**	248,250	301,762
Carrying amount of investment in joint venture - net	**P -**	P4,451	P57,963

TSML	2021	2020	2019
Sales	**P874,925**	P1,375,440	P1,341,509
Cost of sales (including depreciation - 2021: P128,281; 2020: P135,827 and 2019: P141,420)	**(976,316)**	(1,337,290)	(1,346,731)
Operating expenses (including depreciation - 2021: P3,452; 2020: P4,080 and 2019: P5,450)	**(79,510)**	(102,108)	(95,723)
Other charges (including interest expense - 2021: P30,450; 2020: P31,562 and 2019: P45,628)	**(30,925)**	(21,048)	(56,645)
Net loss	**(211,826)**	(85,006)	(157,590)
Percentage of ownership	**44.9%**	44.9%	44.9%
Share in net loss	**(95,110)**	(38,168)	(70,758)
Share in other comprehensive loss	**(4,451)**	(53,512)	15,677
Total comprehensive loss	**(P99,561)**	(P91,680)	(P55,081)

TGT	2021	2020	2019
Current assets (including cash and cash equivalents - 2021: P9,575; 2020: P11,316 and 2019: P7,316)	**P23,233**	P27,972	P22,651
Noncurrent assets	**683**	934	1,218
Current liabilities	**(938,379)**	(973,744)	(1,011,184)
Noncurrent liabilities	**-**	-	(1,215)
Net liabilities	**(914,463)**	(944,838)	(988,530)
Percentage of ownership	**44.9%**	44.9%	44.9%
Carrying amount of investment in joint venture	**P -**	**P -**	**P -**

TGT	2021	2020	2019
Sales	**P39,584**	P50,405	P82,353
Cost of sales	**(32,574)**	(41,981)	(69,426)
Operating expenses (including depreciation - 2021: P190; 2020: P203 and 2019: P3)	**(22,850)**	(20,249)	(21,686)
Other income	**642**	256	211
Net loss	**(15,198)**	(11,569)	(8,548)
Percentage of ownership	**44.9%**	44.9%	44.9%
Share in net loss	**(6,824)**	(5,194)	(3,838)
Share in other comprehensive loss	**(60,003)**	(19,620)	(17,392)
Total comprehensive loss	**(P66,827)**	(P24,814)	(P21,230)

The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 2% in 2019. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections is 9% in 2019. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The Group assessed that its investment in TSML is impaired in 2019, resulting in the recognition of impairment loss amounting to P167,367 in 2019 included as part of "Equity in net losses of joint ventures" account in the consolidated statements of income. Accumulated impairment losses amounted to P243,799 as at December 31, 2021 and 2020.

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 4).

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. Total unrecognized share in net losses amounted to P133,278 and P38,168 as at December 31, 2021 and 2020, respectively.

The Group 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, 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 liabilities amounted to P410,594 and P424,232 as at December 31, 2021 and 2020, respectively.

10. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2020	P792,450	P2,174,030	P354,213	P8,476,073	P937,134	P164,278	P167,180	P13,065,358
Additions	120,000	30,164	26,837	46,753	47,137	15,164	125,095	411,150
Disposals/retirement	(2,937)	(9,496)	(17,486)	(38,098)	(463,522)	(10)	-	(531,549)
Reclassifications	80,768	65,919	3,298	45,736	3,258	(71,023)	(123,530)	4,426
December 31, 2020	990,281	2,260,617	366,862	8,530,464	524,007	108,409	168,745	12,949,385
Additions	78,503	34,311	71,991	67,126	96,250	3,898	236,564	588,643
Disposals/retirement	-	-	(12,256)	(31,611)	(2,188)	-	-	(46,055)
Reclassifications	64,320	15,512	-	39,732	2,600	(48,627)	(69,144)	4,393
December 31, 2021	**1,133,104**	**2,310,440**	**426,597**	**8,605,711**	**620,669**	**63,680**	**336,165**	**13,496,366**
Accumulated Depreciation and Amortization								
January 1, 2020	210,808	1,183,294	225,942	5,840,431	798,834	57,312	-	8,316,621
Depreciation and amortization	8,663	83,423	40,420	415,989	72,001	9,032	-	629,528
Disposals/retirement	(2,937)	(7,530)	(15,995)	(35,967)	(463,520)	(10)	-	(525,959)
Reclassifications	31,798	(393)	-	-	5	(31,410)	-	-
December 31, 2020	248,332	1,258,794	250,367	6,220,453	407,320	34,924	-	8,420,190
Depreciation and amortization	12,282	82,567	41,207	370,309	65,837	5,382	-	577,584
Disposals/retirement	-	-	(11,523)	(31,611)	(2,122)	-	-	(45,256)
Reclassifications	21,557	(95)	-	198	(103)	(21,557)	-	-
December 31, 2021	**282,171**	**1,341,266**	**280,051**	**6,559,349**	**470,932**	**18,749**	**-**	**8,952,518**
Accumulated Impairment Losses								
December 31, 2020 and 2021	**-**	**-**	**-**	**307,600**	**-**	**-**	**-**	**307,600**
Carrying Amount								
December 31, 2020	P741,949	P1,001,823	P116,495	P2,002,411	P116,687	P73,485	P168,745	P4,221,595
December 31, 2021	**P850,933**	**P969,174**	**P146,546**	**P1,738,762**	**P149,737**	**P44,931**	**P336,165**	**P4,236,248**

The recoverable amount of unutilized machinery and equipment was determined by an independent property appraiser having appropriate recognized professional qualifications and recent experience in the category of the property being valued. The fair value of the property being appraised was determined using the replacement cost model. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices of materials, labor, contractor's overhead, profit and fees, and all other attendant's costs associated with its acquisition and installation in place. Adjustment is then made for accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with the new similar units. The accumulated impairment losses of unutilized machinery and equipment amounted to P307,600 as at December 31, 2021 and 2020.

The fair value of the distillation equipment has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The Group has fully-depreciated assets with cost amounting to P3,425,271 and P2,459,743 as at December 31, 2021 and 2020, respectively, which are still used in operations.

The Group sold various equipment for P6,383, P2,329 and P1,846 in 2021, 2020 and 2019, respectively. Accordingly, the Group recognized gains amounting to P2,122, P1,593 and P1,564 included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statements of income in 2021, 2020, and 2019, respectively.

The carrying amount of certain property and equipment retired from use amounted to P67, P4,854 and P32 as at December 31, 2021, 2020, and 2019, respectively, and accordingly recognized a loss for the same amount, included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statements of income.

Total depreciation and amortization recognized in the consolidated statements of income amounted to P577,584, P629,528 and P610,418 in 2021, 2020 and 2019, respectively (Notes 19, 20, 21 and 22). These amounts include annual amortization of capitalized interest amounting to P6,779, P6,763 and P7,223 in 2021, 2020 and 2019, respectively.

The Group has interest amounting to P4,393, P4,426 and P3,834 which was capitalized to machinery and equipment in 2021, 2020 and 2019, respectively (Note 24). The capitalization rates used to determine the amount of interest eligible for capitalization were 7.03%, 9.13% and 7.50% in 2021, 2020 and 2019 respectively. The unamortized capitalized borrowing costs amounted to P17,685 and P20,071 as at December 31, 2021 and 2020, respectively.

11. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	Note	Land and Land Improvements	Buildings and Improvements	Total
Cost				
January 1, 2020		P54,687	P196,597	P251,284
Additions	*27*	-	23,515	23,515
December 31, 2020		54,687	220,112	274,799
Additions	*27*	-	131,586	131,586
Retirement		(39,077)	(86,950)	(126,027)
December 31, 2021		**15,610**	**264,748**	**280,358**
Accumulated Depreciation and Amortization				
January 1, 2020		14,894	40,172	55,066
Depreciation and amortization	*22*	14,894	48,242	63,136
December 31, 2020		29,788	88,414	118,202
Depreciation and amortization	*22*	1,182	62,013	63,195
Retirement		(27,424)	(49,698)	(77,122)
December 31, 2021		**3,546**	**100,729**	**104,275**
Carrying Amount				
December 31, 2020		P24,899	P131,698	P156,597
December 31, 2021		**P12,064**	**P164,019**	**P176,083**

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 2 to 15 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 (Notes 26 and 27).

12. Goodwill

GSMI acquired 100% of the outstanding capital stock of EPSBPI in 2012. EPSBPI, which is considered a cash-generating unit, is a company primarily engaged in the manufacturing and bottling of alcoholic and non-alcoholic beverages. The acquisition resulted in the recognition of goodwill amounting to P226,863.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 3% and 6% in 2021 and 2020, respectively. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections is 11% and 9% in 2021 and 2020, respectively. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. As a result of decline in operations resulting in lower sales forecast compared with previous years, the Group recognized impairment loss amounting to P100,000 in 2015. Due to improvements in the operations of EPSBPI starting 2016 and the growth in volume requirements of GSMI, no additional impairment loss was recognized.

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).

The calculations of value in use 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 Rates*. The Group uses the weighted-average cost of capital 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 investments 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.

13. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	**2021**	2020
Intangible assets - net		**P37,196**	P9,739
Deferred containers - net		**27,391**	60,134
Noncurrent receivables and deposits - net	*26, 30, 31*	**493**	493
Others		**23,683**	17,240
		P88,763	P87,606

The movements in deferred containers are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**P375,009**	P426,044
Retirement		**-**	(51,035)
Balance at end of year		**375,009**	375,009
Accumulated Amortization			
Balance at beginning of year		**314,875**	312,268
Amortization	*22*	**32,743**	42,012
Retirement		**-**	(39,405)
Balance at end of year		**347,618**	314,875
Carrying Amount		**P27,391**	P60,134

Amortization of deferred containers, included as part of "Cost of Sales" and "General and administrative expenses" account in the consolidated statements of income, amounted to P32,743, P42,012, and P41,910 in 2021, 2020 and 2019, respectively (Notes 19, 21 and 22).

The cost of deferred containers retired from future use amounted to nil and P51,035 in 2021 and 2020, respectively. The Group recognized loss on retirement on deferred containers amounting to nil and P11,630 included as part of “Gain (loss) on disposal/retirement of noncurrent assets - net” account in the consolidated statements of income in 2021 and 2020, respectively.

The movements in intangible assets pertaining to computer software are as follows:

	Note	**2021**	2020
Cost			
Balance at beginning of year		**P95,603**	P92,062
Additions		**33,541**	3,541
Retirement		**(18,202)**	-
Balance at end of year		**110,942**	95,603
Accumulated Amortization			
Balance at beginning of year		**85,864**	73,749
Amortization	*22*	**6,084**	12,115
Retirement		**(18,202)**	-
Balance at end of year		**73,746**	85,864
Carrying Amount		**P37,196**	P9,739

Amortization expense, included as part of “General and administrative expenses” account in the consolidated statements of income, amounted to P6,084, P12,115, and P15,824 in 2021, 2020 and 2019, respectively (Notes 21 and 22).

The cost of computer software fully-amortized and retired from use amounted to P18,202 and nil as at December 31, 2021 and 2020, respectively.

Noncurrent receivables and deposits - net includes: (i) security deposits amounting to P493 as at December 31, 2021 and 2020 (Note 26); and (ii) non-trade receivables amounting to nil and P41,743 as at December 31, 2021 and 2020, respectively. Allowance for impairment losses pertaining to these items amounted to nil and P41,743 as at December 31, 2021 and 2020, respectively.

The movements in allowance for impairment losses are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P41,743**	P149,248
Reversals	*25*	**-**	(935)
Write off	*30*	**(41,743)**	(106,570)
Balance at end of year		**P -**	P41,743

“Others” is composed of: (i) input taxes on the acquisition of capitalizable assets amounting to nil and P2,848 as at December 31, 2021 and 2020, respectively; (ii) advances to suppliers amounting to P23,440 and P14,169 as at December 31, 2021 and 2020, respectively; and (iii) others amounting to P243 and P223 as at December 31, 2021 and 2020, respectively.

The Group has advances for a project pertaining to unassembled vacuum distillation equipment that is temporarily put on hold. The recoverable amount of the unassembled vacuum distillation equipment was determined by an independent property appraiser having appropriate recognized professional qualifications and recent experience in the category of the property being valued. The fair value of the equipment being appraised was determined using the replacement cost model. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices of materials, labor, contractor's overhead, profit and fees, and all other attendant's costs associated with its acquisition and installation in place. The carrying amount of such advances amounted to nil as at December 31, 2021 and 2020, net of accumulated allowance for impairment losses amounting to P222,146 as at December 31, 2021 and 2020. In 2021, the equipment was disposed and accordingly recognized a gain amounting to P3,528, included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statement of income.

14. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2021**	2020
Trade:			
Third parties		**P4,077,553**	P3,652,295
Related parties	*26*	**941,735**	1,365,235
Non-trade:			
Third parties		**90,631**	127,508
Related parties	*26*	**896**	892
Derivative liabilities	*30, 31*	**33,172**	218
	30, 31	**P5,143,987**	P5,146,148

Trade payables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade payables to third parties consist of accrued vacation and sick leave, payroll, interest and dividends.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 31.

15. Notes Payable

This account consists of unsecured short-term peso-denominated borrowings obtained from local banks for working capital requirements. These loans mature in three months or less and bear annual interest rates ranging from 4.25% to 6.00% and 4.75% to 6.88% in 2020 and 2019, respectively.

Changes in liabilities arising from financing activities are as follows:

	2021	2020
Balance at beginning of year	**P -**	P1,519,000
Changes from Financing Cash Flows		
Proceeds from borrowings	**-**	1,664,200
Payments of borrowings	**-**	(3,183,200)
Total Changes from Financing Cash Flows	**-**	1,519,000
Balance at end of year	**P -**	P -

Notes payable include interest-bearing amounts payable to a related party amounting to nil and P857,000 as at December 31, 2020 and 2019, respectively (Note 26).

Interest expense on notes payable to related parties amounted to nil, P8,025 and P1,831 in 2021, 2020 and 2019, respectively (Note 26).

Interest expense on notes payable recognized in the consolidated statements of income amounted to nil, P26,124 and P49,435 in 2021, 2020 and 2019, respectively (Note 24).

The Group's exposure to interest rate and liquidity risks are discussed in Note 30.

16. Long-term Debt

Long-term debt consists of:

	Note	2021	2020
Fixed interest rate of 4.2105% with maturities up to 2023 (a)		**P330,847**	P496,264
Fixed interest rate of 8.3480% with maturities up to 2023 (b)		**-**	-
Less current maturities		**165,417**	165,417
	30, 31	**P165,430**	P330,847

a. The amount represents drawdown by GSMI on December 28, 2020 from its three-year credit facility with a local bank amounting to P500,000. The loan is carried at amortized cost and payable semi-annually commencing in June 2021. The proceeds were used for general corporate requirements.

   Unamortized debt issue costs amounted to P2,486 and P3,736 as at December 31, 2021 and 2020, respectively.

   The Company is in compliance with the covenants of the debt agreement as at December 31, 2021 and 2020 (Note 30).

b. The amount represents drawdown by GSMI on September 24, 2018 from its five-year credit facility with a local bank dated August 13, 2018 amounting to P1,000,000. The loan is carried at amortized cost and payable in equal quarterly installments commencing in September 2019. The proceeds were used to refinance existing short-term obligations.

Unamortized debt issue costs amounted to nil and P5,598 as at December 31, 2020 and 2019, respectively.

GSMI settled the loan on September 24, 2020.

The Company is in compliance with the covenants of the debt agreement as at settlement date and as at December 31, 2019 (Note 30).

Changes in liabilities arising from financing activities and amortization of debt issue cost are as follows:

	2021	2020
Balance at beginning of year	**P496,264**	P876,755
Changes from Financing Cash Flows		
Interest expense	**19,522**	50,546
Proceeds from borrowings	**-**	496,250
Interest paid	**(19,522)**	(50,546)
Payments of borrowings	**(166,667)**	(882,353)
Total Changes from Financing Cash Flows	**(166,667)**	(386,103)
Amortization of debt issue cost	**1,250**	5,612
Balance at end of year	**P330,847**	P496,264

The movements in debt issue costs are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P3,736**	P5,598
Additions		**-**	3,750
Amortization	*24*	**(1,250)**	(5,612)
Balance at end of year		**P2,486**	P3,736

Repayment Schedule

As at December 31, 2021, the annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2022	P166,667	P1,250	P165,417
2023	166,666	1,236	165,430
Total	**P333,333**	**P2,486**	**P330,847**

Interest expense on existing and settled long-term debt amounted to P19,522, P50,546 and P82,067 in 2021, 2020 and 2019, respectively (Note 24).

Contractual terms of the Group’s interest-bearing loans and exposure to interest rate and liquidity risks are discussed in Note 30.

17. Income Taxes

The components of income tax expense are shown below:

	2021	2020	2019
Current	**P1,349,811**	P1,247,065	P828,367
Deferred	**31,921**	237	121,187
	P1,381,732	P1,247,302	P949,554

The movements of deferred tax assets are accounted for as follows:

2021	**Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance at December 31**
Provision for impairment losses	**P278,041**	**(P95,566)**	**P -**	**P182,475**
Past service costs	**68,026**	**(158)**	**-**	**67,868**
Allowance for write-down of inventories	**68,240**	**(32,508)**	**-**	**35,732**
Leases	**38,401**	**(3,520)**	**-**	**34,881**
Net defined benefit retirement surplus	**(51,989)**	**85,957**	**-**	**33,968**
Various accruals	**21,383**	**(2,319)**	**-**	**19,064**
Derivative liabilities - net	**(7,856)**	**16,093**	**-**	**8,237**
NOLCO	**474**	**(228)**	**-**	**246**
MCIT	**122**	**(49)**	**-**	**73**
Unrealized foreign exchange loss - net	**558**	**(1,223)**	**-**	**(665)**
Unamortized capitalized borrowing costs	**(6,021)**	**1,600**	**-**	**(4,421)**
Equity reserve for retirement plan	**173,428**	**-**	**(51,312)**	**122,116**
	P582,807	**(P31,921)**	**(P51,312)**	**P499,574**

2020	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Provision for impairment losses	P222,425	P55,616	P -	P278,041
Allowance for write-down of inventories	119,487	(51,247)	-	68,240
Past service costs	70,487	(2,461)	-	68,026
Leases	34,800	3,601	-	38,401
Various accruals	19,583	1,800	-	21,383
NOLCO	826	(352)	-	474
MCIT	54	68	-	122
Unrealized foreign exchange loss - net	242	316	-	558
Derivative liabilities - net	(2,163)	(5,693)	-	(7,856)
Unamortized capitalized borrowing costs	(6,722)	701	-	(6,021)
Net defined benefit retirement surplus	(49,403)	(2,586)	-	(51,989)
Equity reserve for retirement plan	158,328	-	15,100	173,428
	P567,944	(P237)	P15,100	P582,807

The movements of the net deferred tax assets are accounted for as follows:

	2021	2020
Amount charged to profit or loss	**(P31,921)**	(P237)
Amount charged to other comprehensive income	**(51,312)**	15,100
	(P83,233)	P14,863

As at December 31, 2021, the NOLCO of the Group that can be claimed as deduction from future taxable income are as follows:

Year Incurred	NOLCO	Expired	Utilized	Balance	Expiry Year
2018	P354	(P132)	(P222)	P -	2021
2019	1,228	-	-	1,228	2022
	P1,582	(P132)	(P222)	P1,228	

As at December 31, 2021, the MCIT of the Group that can be claimed as deduction from corporate income tax due are as follows:

Year Incurred	MCIT	Expired	Utilized	Balance	Expiry Year
2018	P24	(P24)	P -	P -	2021
2019	5	-	-	5	2022
2020	44	-	-	44	2025
2021	24	-	-	24	2026
	P97	(P24)	P -	P73	

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act, relative to NOLCO which provides that the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five 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 consecutive taxable years following the year such loss was incurred.

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2021	2020	2019
Statutory income tax rate	**25.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	**(0.04%)**	(0.08%)	(0.05%)
Change in tax rate	**(2.56%)**	-	-
Others	**2.45%**	1.23%	6.27%
Effective income tax rate	**24.85%**	31.15%	36.22%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5%-10% point cut in the corporate income tax rate starting July 2020. As a result, the Group has taken up in the books the effect of the application of reduced corporate income tax rate from 30% to 25%.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE Law are as follows:

	Increase (Decrease)
ASSET	
Deferred tax asset	**(P97,323)**
	(P97,323)
LIABILITY AND EQUITY	
Income and other taxes payable	**(P103,838)**
Equity reserves	**(28,904)**
Retained earnings	**35,419**
	(P97,323)
INCOME TAX EXPENSE	
Current	**(P103,838)**
Deferred	**68,419**
	(35,419)
NET INCOME	**P35,419**

18. Equity

a. *Capital Stock*

Common Shares

The Company has 460,000,000 authorized common shares with par value of P1.00 per share.

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company has a total of 629 and 645 stockholders as at December 31, 2021 and 2020, respectively.

The number of issued and outstanding shares of common stock are as follows:

	2021	2020
Issued shares	**345,625,332**	345,625,332
Less treasury shares	**59,297,491**	59,297,491
Outstanding shares	**286,327,841**	286,327,841

Preferred Shares

The Company has 100,000,000 authorized preferred shares with par value of P1.00 per share.

The holders of preferred shares are entitled to participate and receive annual dividends of P1.50 per share which may be cumulative and payable in arrears on December 31 of each year. In addition, the holders of preferred shares may receive a special annual dividend equal to the excess of the aggregate dividends paid or to be paid to common shareholders over P1.50 per preferred share per annum. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares. The said preferred shares were not listed in the Philippine Stock Exchange.

As approved by the BOD of GSMI on December 1, 2020, GSMI redeemed all 32,786,885 preferred shares held by SMC at a redemption price of P30.50 per share, plus all accumulated unpaid cash dividends, on January 4, 2021. The said preferred shares were not listed in the Philippine Stock Exchange.

The number of issued and outstanding shares of preferred stock are as follows:

	2021	2020
Issued shares	**53,437,585**	53,437,585
Less treasury shares	**53,437,585**	20,650,700
Outstanding shares	**-**	32,786,885

b. *Treasury Shares*

Treasury shares consist of:

	2021	2020	2019
Common	**59,297,491**	59,297,491	59,297,491
Preferred	**53,437,435**	20,650,700	20,650,700
	112,734,926	79,948,191	79,948,191

Total number of preferred shares held in treasury increased by 32,786,885, representing the redeemed preferred shares held by SMC in 2021.

There were no movements in the number of shares held in treasury in 2020 and 2019.

c. *Unappropriated Retained Earnings*

Under the Revised Philippine Corporation Code, stock corporations are prohibited from accumulating surplus in excess of 100% of their paid-in capital stock, except under certain conditions as provided for in the Code.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net losses of joint ventures amounting to P442,212, P178,889 and P471,609 in 2021, 2020 and 2019, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The unappropriated retained earnings of the Group is restricted in the amount of P3,669,973 and P2,669,973 in 2021, 2020 and 2019, respectively representing the cost of common and preferred shares held in treasury.

d. *Appropriated Retained Earnings*

On November 10, 2021, the Company's BOD approved the appropriation of P3,512,000 retained earnings of the Company. Of the said amount, P3,000,000 will be used for expansion of capacity to support increase in demand and P512,000 will be used for rehabilitation of the Company's existing facilities until 2027.

As at December 31, 2020, the Company's BOD approved the appropriation of retained earnings amounting and P2,500,000 for the purpose of capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements until 2021. Such appropriation was reversed in 2021.

The Company has not made any other appropriation or restriction of its excess retained earnings as at December 31, 2021.

e. *Dividend Declaration*

The BOD of the Group approved the declaration and payment of the following cash dividends to common and preferred stockholders as follows:

2021

Class of Shares	**Date of Declaration**	**Date of Record**	**Date of Payment**	**Dividend Per Share**
Common-regular	March 10, 2021	March 25, 2021	April 8, 2021	**P0.250**
	May 5, 2021	May 21, 2021	June 3, 2021	**0.250**
	August 4, 2021	August 19, 2021	September 2, 2021	**0.250**
	November 10, 2021	November 25, 2021	December 9, 2021	**0.250**
Common-special	May 5, 2021	May 21, 2021	June 3, 2021	**1.000**
	August 4, 2021	August 19, 2021	September 2, 2021	**1.000**
	November 10, 2021	November 25, 2021	December 9, 2021	**1.000**

2020

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	March 11, 2020	March 27, 2020	April 15, 2020	P0.250
	May 27, 2020	June 15, 2020	June 25, 2020	0.250
	August 5, 2020	August 24, 2020	September 3, 2020	0.250
	November 4, 2020	November 19, 2020	December 3, 2020	0.250
Preferred	March 11, 2020	March 27, 2020	April 15, 2020	0.375
	May 27, 2020	June 15, 2020	June 25, 2020	0.375
	August 5, 2020	August 24, 2020	September 3, 2020	0.375
	November 4, 2020	November 19, 2020	December 3, 2020	0.375

On December 1, 2020, the BOD declared cash dividends to all preferred shareholders of record as of December 18, 2020 amounting to P0.375 per preferred share. On January 4, 2021, cash dividends paid on pro-rated basis amounted to P546.

In addition, on March 13, 2019, the BOD approved the declaration and payment of cash dividends in arrears of seven years (from 2012 to 2018) and one quarter in 2002 amounting to P356,557, paid on April 15, 2019 to the holders of preferred shares as of record date, March 28, 2019.

19. Cost of Sales

Cost of sales consist of:

	Note	**2021**	2020	2019
Taxes and licenses		**P17,195,707**	P13,021,144	P8,878,545
Inventories	*7*	**12,638,837**	12,317,181	10,579,541
Utilities and supplies		**567,203**	525,017	480,924
Personnel	*23, 28*	**392,313**	318,061	318,459
Depreciation and amortization	*10, 11, 13, 22*	**290,128**	334,552	341,127
Repairs and maintenance		**265,058**	171,945	299,408
Outside services		**209,751**	145,283	119,830
Tolling fees		**154,135**	106,259	57,958
Freight, trucking and handling		**19,457**	24,427	9,574
Insurance		**9,079**	10,652	4,127
Rent	*27*	**653**	1,002	14,425
Others		**18,544**	17,577	23,390
		P31,760,865	P26,993,100	P21,127,308

20. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	Note	**2021**	2020	2019
Advertising and promotions		**P1,381,775**	P1,410,421	P1,382,550
Delivery and marketing		**797,918**	693,151	652,424
Personnel	*23, 28*	**500,918**	396,246	345,484
Rent	*27*	**98,605**	68,572	46,730
Depreciation and amortization	*10, 11, 22*	**73,909**	59,302	45,900
Outside services		**61,716**	57,813	85,688
Utilities and supplies		**48,856**	37,548	50,298
Repairs and maintenance		**41,195**	32,313	38,892
Research		**31,682**	21,661	40,145
Corporate special program		**22,255**	10,547	23,776
Travel and transportation		**21,282**	19,193	47,317
Insurance		**12,473**	24,059	4,752
Others		**8,025**	5,906	7,556
		P3,100,609	P2,836,732	P2,771,512

21. General and Administrative Expenses

General and administrative expenses consist of:

	Note	**2021**	2020	2019
Personnel	*23, 28*	**P1,070,330**	P815,462	P931,314
Depreciation and amortization	*10, 11, 13, 22*	**315,569**	352,937	336,191
Outside services	*26*	**312,026**	331,040	302,293
Taxes and licenses		**211,702**	190,005	250,056
Corporate special program		**119,505**	117,829	69,493
Insurance		**87,536**	65,258	120,029
Repairs and maintenance		**83,856**	65,636	148,773
Provision for impairment losses	*6*	**83,126**	544,417	1,764
Utilities and supplies		**44,608**	40,596	44,713
Rent	*27*	**34,677**	17,150	16,282
Travel and transportation		**10,461**	12,420	36,007
Research		**5,040**	11,793	27,794
Others		**1,309**	1,382	1,526
		P2,379,745	P2,565,925	P2,286,235

22. Depreciation and Amortization

Depreciation and amortization consist of:

	Note	**2021**	2020	2019
Property, plant and equipment	*10*	**P577,584**	P629,528	P610,418
Right-of-use assets	*11*	**63,195**	63,136	55,066
Deferred containers	*13*	**32,743**	42,012	41,910
Intangible assets	*13*	**6,084**	12,115	15,824
		P679,606	P746,791	P723,218

Depreciation and amortization are distributed as follows:

	Note	**2021**	2020	2019
Cost of sales	*19*	**P290,128**	P334,552	P341,127
Selling and marketing expenses	*20*	**73,909**	59,302	45,900
General and administrative expenses	*21*	**315,569**	352,937	336,191
		P679,606	P746,791	P723,218

23. Personnel Expenses

Personnel expenses consist of:

	Note	2021	2020	2019
Salaries and wages		**P987,510**	P931,597	P945,536
Other employee benefits		**506,130**	518,854	588,983
Retirement costs	*28*	**469,921**	79,318	60,738
		P1,963,561	P1,529,769	P1,595,257

Personnel expenses are distributed as follows:

	Note	2021	2020	2019
Cost of sales	*19*	**P392,313**	P318,061	P318,459
Selling and marketing expenses	*20*	**500,918**	396,246	345,484
General and administrative expenses	*21*	**1,070,330**	815,462	931,314
		P1,963,561	P1,529,769	P1,595,257

24. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	2021	2020	2019
Interest on long-term debt	*16*	**P19,522**	P50,546	P82,067
Interest on defined benefit obligation - net	*28*	**15,158**	17,955	13,629
Interest on lease liabilities	*27*	**11,231**	15,844	20,591
Interest on notes payable	*15*	**-**	26,124	49,435
Other financing charges	*16*	**6,692**	16,287	7,713
Capitalized borrowing costs	*10*	**(4,393)**	(4,426)	(3,834)
		P48,210	P122,330	P169,601

Amortization of debt issue costs included in “Other financing charges” amounted to P1,250, P5,612 and P1,499 in 2021, 2020 and 2019, respectively (Note 16).

25. Other Income (Charges)

Other income (charges) consist of:

	Note	**2021**	2020	2019
Tolling fees - net		**P265,526**	P170,899	P130,796
Gain on miscellaneous items	*13*	**48,980**	935	21,511
Sale of scrap materials		**42,958**	42,925	38,160
Net unrealized foreign exchange gain (loss)	*30*	**2,659**	(1,860)	(806)
Rent income	*27*	**142**	181	444
Provision for impairment losses	*13*	**-**	-	(111,040)
Net derivative gain (loss)	*31*	**(96,759)**	88,294	33,221
Others		**8,416**	979	5,476
		P271,922	P302,353	P117,762

The cost of tolling fees amounted to P108,717, P66,050 and P92,708 in 2021, 2020 and 2019, respectively.

Provision for impairment loss pertains to impairment of unassembled vacuum distillation equipment that is temporarily put on hold (Note 13).

In 2021, gain on miscellaneous items consists of insurance claims, collection of miscellaneous receivable previously provided with allowance and refunds from electricity service provider. In 2020 and 2019, it pertains only to collection of long-term receivables previously provided with allowance.

26. Related Party Disclosures

The Group, certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. The Group requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the consolidated total 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	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	**2021**	**P -**	**P -**	**P5**	**P -**	On demand;	Unsecured;
	2020	-	-	6	-	non-interest	no impairment
	2019	-	-	6	-	bearing	
Intermediate Parent Company	**2021**	**22,851**	**254,215**	**13,801**	**33,148**	On demand;	Unsecured;
	2020	6,255	477,748	4,699	48,066	non-interest	no impairment
	2019	109,642	255,044	5,746	69,005	bearing	
Parent Company	**2021**	**170**	**-**	**7**	**-**	On demand;	Unsecured;
	2020	150	-	5	-	non-interest	no impairment
	2019	55	-	5	-	bearing	
Under Common Control	**2021**	**315,450**	**6,501,815**	**102,672**	**1,010,546**	On demand;	Unsecured;
	2020	387,786	6,038,212	83,476	1,386,739	non-interest	no impairment
	2019	461,483	6,119,006	156,299	1,197,133	bearing	
Joint Venture	**2021**	**-**	**335,495**	**-**	**1,640**	On demand;	Unsecured;
	2020	-	496,873	81,185	75,632	Interest	with impairment
	2019	19,432	595,431	632,732	39,136	bearing	
Associate of the Intermediate Parent Company	**2021**	**608**	**-**	**83**	**-**	On demand; non-interest bearing	Unsecured; no impairment
	2020	644	-	721	-	3 months;	Unsecured;
	2019	-	-	-	857,000	interest bearing	no impairment
Others	**2021**	**1,624**	**-**	**1,522**	**-**	On demand;	Unsecured;
	2020	899	-	1,565	-	non-interest	no impairment
	2019	-	-	-	-	bearing	
Total	**2021**	**P340,703**	**P7,091,525**	**P118,090**	**P1,045,334**		
Total	2020	P395,734	P7,012,833	P171,657	P1,510,437		
Total	2019	P590,612	P6,969,481	P794,788	P2,162,274		

a. The Group, in the normal course of business, has significant transactions with related parties pertaining to purchases of containers and other packaging materials and sale of liquor and by-products. The sales to and purchases from related parties are made at normal market prices. There have been no guarantees provided or received for any amounts owed by and owed to related parties.

b. The Group has entered into various lease agreements with related parties as a lessor and lessee (Notes 11 and 27). Right-of-use assets and lease liabilities to related parties amounted to P87,225 and P102,703, respectively as at December 31, 2021 and P121,879 and P144,310, respectively as at December 31, 2020. Rent expense to related parties for short-term leases and leases of low-value assets recognized in the consolidated statements of comprehensive income amounted to P35,455 and P10,671 in 2021 and 2020, respectively. Amounts owed to related parties pertaining to these leases amounted to P103,599 and P145,202 as at December 31, 2021 and 2020, respectively.

c. Management fees paid to SMC amounting to P192,154, P192,174 and P186,146 in 2021, 2020 and 2019, respectively, are included in "Outside services" account under "General and administrative expenses" (Note 21).

d. Security deposits with related parties under common control amounted to P493 as at December 31, 2021 and 2020, included as part of "Noncurrent receivables and deposits-net" under "Other noncurrent assets" account in the consolidated statements of financial position (Note 13).

e. TSML executed various promissory notes in favor of the Company. The details of which are as follows:

  - Principal sum of THB250,000 together with interest of 5.5% per annum, which interest shall accrue on March 13, 2014.

  - Principal sum of THB50,000 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.

  - Principal sum of THB25,000 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.

  - Principal sum of THB75,000 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.

  - Principal sum of THB75,000 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 the Company and the stipulated interest shall be payable every three months.

  The receivables from TSML are included as part of "Non-trade receivables from related parties" under "Trade and other receivables" account in the consolidated statements of financial position (Note 6). Allowance for impairment losses pertaining to these receivables amounted to P540,216 as at December 31, 2021 and 2020, respectively.

  In 2021 and 2020, GSMI did not charge interest to its receivables with joint venture. Interest income from amounts owed by TSML, recognized in the consolidated statements of income, amounted to P19,380 in 2019.

f. Receivables from Bank of Commerce from sale of goods are included as "Trade receivables from related parties" under "Trade and other receivables" account in the consolidated statements of financial position as at December 31, 2021. Amounts owed to Bank of Commerce are included in "Notes payable" account in the consolidated statements of financial position which was settled in 2020 (Note 15).

  Interest expense on notes payable to Bank of Commerce amounted to nil, P8,025 and P1,831 in 2021, 2020 and 2019, respectively (Note 15).

g. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	**2021**	2020	2019
Short-term employee benefits		**P53,668**	P47,713	P51,518
Retirement costs	*28*	**47,823**	10,608	8,417
		P101,491	P58,321	P59,935

27. Leasing Agreements

Group as Lessee

The Group has the following lease agreements:

a. The Company leases various warehouse facilities and office spaces under operating leases. These leases typically run for a period of 2 to 15 years. The Company has the option to renew the lease after the expiration of the lease term.

b. EPSBPI has various lease agreements with related parties for the lease of parcels of land located in Ligao City, Albay and Cauayan, Isabela for a period ranging from 3 to 10 years and renewable upon mutual agreement of both parties. Rental fees are payable monthly and subject to 5% escalation every year. On December 18, 2019, EPSBPI has expressed its interest to acquire the leased land in Cauayan, Isabela in which a 20% down payment was paid on January 2020. The remaining balance shall be paid by EPSBPI in 12 equal monthly amortizations which was fully paid as of January 31, 2021. On January 2021, EPSBPI has acquired the previously leased land in Ligao City, Albay.

The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2021		
	Future Minimum Lease Payments	**Interest**	**Present Value of Minimum Lease Payments**
Within one year	**P66,568**	**P9,708**	**P56,860**
After one year but not more than five years	**99,626**	**25,456**	**74,170**
More than five years	**73,255**	**13,178**	**60,077**
	P239,449	**P48,342**	**P191,107**

	December 31, 2020		
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Within one year	P44,054	P12,330	P31,724
After one year but not more than five years	84,513	38,393	46,120
More than five years	129,600	29,684	99,916
	P258,167	P80,407	P177,760

The Group recognized interest expense related to these leases amounting to P11,231 and P15,844 in 2021 and 2020, respectively (Note 24).

Changes in lease liabilities arising from Financing Activities are as follows:

	2021	2020
Balance at beginning of year	**P177,760**	P225,664
Changes from Financing Activities		
Interest expense	**11,231**	15,844
Payments of lease liabilities	**(70,571)**	(87,249)
Total Changes from Financing Activities	**(59,340)**	(71,405)
Other Changes	**72,687**	23,501
Balance at end of year	**P191,107**	P177,760

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 rent expenses relating to short-term leases and leases of low-value assets amounted to P133,935 in 2021, P86,724 in 2020, and P77,437 in 2019 respectively (Notes 19, 20 and 21).

Rent expense is recognized in the following line items in the consolidated statements of income:

	Note	2021	2020
Cost of sales	*19*	**P653**	P1,002
Selling and marketing expenses	*20*	**98,605**	68,572
General and administrative expenses	*21*	**34,677**	17,150
		P133,935	P86,724

The Group had total cash outflows for above leases amounted to P204,506 and P173,973 in 2021 and 2020, respectively.

Group as Lessor

a. DBI has a lease agreement with a related party for the lease of land in Taloc, Bago City, Negros Occidental for a period of fifteen years from September 4, 2017 to September 3, 2032.

   The future minimum lease receipts under non-cancellable operating leases are as follows:

	2021	2020
Within one year	**P152**	P145
After one year but not more than five years	**689**	656
After five years	**1,155**	1,422
	P1,996	P2,223

Rent income recognized in the consolidated statements of income amounted to P142, P181 and P444 in 2021, 2020 and 2019, respectively (Note 25).

28. Retirement Plans

The Company, DBI and EPSBPI have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Group pay out benefits based on final pay. In 2021, the Group made amendments to its Retirement Plan in terms of the percentage of final pay based on the adjusted credited years of service. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2021. Valuations are obtained on a periodic basis.

The Retirement Plans of the Company, DBI and EPSBPI are registered with the Bureau of Internal Revenue (BIR) as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Two of the members of the Board of Trustees of the Group's Retirement Plan who exercises voting rights over the shares and approve material transactions are an employee/officer of the Group. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Group.

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 Retirement Obligation		Net Defined Benefit Retirement Liability	
	2021	2020	**2021**	2020	**2021**	2020
Balance at beginning of year	**P1,026,258**	P950,460	**(P1,431,055)**	(P1,313,543)	**(P404,797)**	(P363,083)
Recognized in Profit or Loss						
Past service costs	**-**	-	**(388,157)**	-	**(388,157)**	-
Current service costs	**-**	-	**(81,764)**	(79,318)	**(81,764)**	(79,318)
Interest expense	**-**	-	**(58,075)**	(68,917)	**(58,075)**	(68,917)
Interest income	**42,917**	50,962	**-**	-	**42,917**	50,962
	42,917	50,962	**(527,996)**	(148,235)	**(485,079)**	(97,273)
Recognized in Other Comprehensive Income						
Remeasurements						
Actuarial gains (losses) arising from:						
Experience adjustments	**-**	-	**43,695**	21,321	**43,695**	21,321
Changes in financial assumptions	**-**	-	**109,863**	(44,118)	**109,863**	(44,118)
Changes in demographic assumptions	**-**	-	**(26,518)**	(4,233)	**(26,518)**	(4,233)
Return on plan assets excluding interest income	**(37,407)**	(23,303)	**-**	-	**(37,407)**	(23,303)
	(37,407)	(23,303)	**127,040**	(27,030)	**89,633**	(50,333)
Others						
Contributions	**178,323**	105,892	**-**	-	**178,323**	105,892
Benefits paid	**(67,685)**	(57,753)	**67,685**	57,753	**-**	-
	110,638	48,139	**67,685**	57,753	**178,323**	105,892
Balance at end of year	**P1,142,406**	P1,026,258	**(P1,764,326)**	(P1,431,055)	**(P621,920)**	(P404,797)

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 by GSMI amounted to P406,427, P67,524 and P52,925 in 2021, 2020 and 2019, respectively, while those charged by DBI amounted to P56,280, P6,800 and P5,856 in 2021, 2020 and 2019, respectively, and for EPSBPI amounted to P7,214, P4,994 and P1,957 in 2021, 2020 and 2019, respectively (Note 23).

The retirement costs are recognized in the following line items:

	Note	**2021**	2020	2019
Cost of sales	*19*	**P82,183**	P14,830	P15,457
Selling and marketing expenses	*20*	**94,617**	15,395	15,202
General and administrative expenses	*21*	**293,121**	49,093	30,079
	23	**P469,921**	P79,318	P60,738

Retirement liabilities recognized by GSMI amounted to P555,256 and P364,739 as at December 31, 2021 and 2020, respectively, while those recognized by DBI amounted to P52,313 and P29,580 as at December 31, 2021 and 2020, respectively, and by EPSBPI amounted to P14,351 and P10,478 as at December 31, 2021 and 2020, respectively.

The carrying amounts of the Group's retirement plan approximate fair values as at December 31, 2021 and 2020.

The Group's plan assets consist of the following:

	In Percentages	
	2021	2020
Investments in marketable securities	**60.48**	53.77
Investments in pooled funds:		
Fixed income portfolio	**15.91**	17.63
Others	**23.61**	28.60
	100.00	100.00

Investments in Marketable Securities
The Group's Retirement Plans recognized loss on the investment in marketable securities of SMC and its subsidiaries amounting to P19,521 and P27,041 in 2021 and 2020, respectively.

Dividend income from the investment in marketable securities amounted to P14,280 and P11,716 in 2021 and 2020, respectively.

Interest income from the investment in marketable securities amounted to P6,371, P4,580 and P2,541 in 2021, 2020 and 2019, respectively.

Investments in Pooled Funds
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group 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 approved the percentage of asset 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.

No investments in pooled funds in stock trading portfolio were investments in shares of stock of SMC and its subsidiaries in 2021 and 2020.

Approximately 13.06% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2019.

Approximately 11.63% and 9.85% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2021 and 2020, respectively.

Others
Others include the Retirement Plans' cash and cash equivalents and receivables which earn interests.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plans before they become due. For this reason, the amount and timing of contributions to the Retirement Plans are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Plans are insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Plans.

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 P178,323 to the Retirement Plans in 2021.

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) to the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2021	2020
Discount rate	**4.92 - 4.94**	3.82 - 3.88
Salary increase rate	**4.00**	4.00

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 is 11.60 and 12.87 years as at December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation			
	2021		2020	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P129,661)**	**P149,279**	(P119,526)	P139,386
Salary increase rate	**149,173**	**(131,926)**	137,772	(118,874)

In 2021 and 2020, the Group’s transaction relating to the Retirement Plans pertain to the contributions for the period. The Group has no outstanding payables with the plan assets as at December 31, 2021 and 2020.

29. Basic and Diluted Earnings Per Share

Basic and Diluted Earnings Per Share is computed as follows:

	2021	2020	2019
Net income	**P4,178,939**	P2,756,511	P1,671,788
Less: Dividends on preferred shares	**546**	49,180	49,180
Net income available to common shares (a)	**P4,178,393**	P2,707,331	P1,622,608
Weighted average number of common shares outstanding (in thousands) - basic and diluted (b)	**286,328**	286,328	286,328
Basic and Diluted Earnings Per Share (a/b)	**P14.59**	P9.46	P5.67

30. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, long-term debt and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits and accounts payable and accrued expenses, lease liabilities arise directly from and are used to facilitate its daily operations.

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD oversees that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the BOD in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

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 and Risk Oversight Committee (the "Committee") to, among others, enhance its oversight capability over the Group's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations; and be responsible for the oversight of the Group's enterprise risk management system to ensure its functionality and effectiveness.

The Committee also has the responsibility to assist the BOD in ensuring that there is an effective and integrated risk management process in place to guide the BOD in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. In relation to this, the Committee has the following duties and responsibilities, among others: a.) develop a formal enterprise risk management plan which contains common language or register of risks, well-defined risk management goals, objectives and oversight, uniform processes of assessing risks and developing strategies to manage prioritized risks, designing and implementing risk management strategies, and continuing assessments to improve risk strategies, processes and measures; b.) oversee the implementation of the enterprise risk management plan; c.) evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; d.) advise the BOD on its risk appetite levels and risk tolerance limits; and e.) review at least annually the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Group.

The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

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 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.

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.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

December 31, 2021	**<1 Year**	**1 - 2 Years**	**>2 - 3 Years**	**>3 - 4 Years**	**>4 - 5 Years**	**Total**
Fixed Rate						
Philippine peso-denominated	**P166,667**	**P166,666**	**P -**	**P -**	**P -**	**P333,333**
Interest rate	**4.2105%**	**4.2105%**	**-**	**-**	**-**	**-**
	P166,667	**P166,666**	**P -**	**P -**	**P -**	**P333,333**

December 31, 2020	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	Total
Fixed Rate						
Philippine peso-denominated	P166,667	P166,667	P166,666	P -	P -	P500,000
Interest rate	4.2105%	4.2105%	4.2105%	-	-	-
	P166,667	P166,667	P166,666	P -	P -	P500,000

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.

Information on the Group's foreign currency-denominated monetary assets and their Philippine peso equivalents is as follows:

	December 31, 2021		December 31, 2020	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$2,989**	**P152,437**	US$178	P8,557
Trade and other receivables	**12**	**627**	24	1,176
Foreign currency-denominated monetary assets	**US$3,001**	**P153,064**	US$202	P9,733

The Group reported net (gain) losses on foreign exchange amounting to (P2,659), P1,860 and P806 in 2021, 2020 and 2019, respectively, with the translation of its foreign currency-denominated assets (Note 25). 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, 2021	**51.00**
December 31, 2020	48.02
December 31, 2019	50.64

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 the Group's equity:

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
December 31, 2021	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P2,989)**	**(P2,242)**	**P2,989**	**P2,242**
Trade and other receivables	**(12)**	**(9)**	**12**	**9**
	(P3,001)	**(P2,251)**	**P3,001**	**P2,251**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2020	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P178)	(P125)	P178	P125
Trade and other receivables	(24)	(17)	24	17
	(P202)	(P142)	P202	P142

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 and managing inventory levels of common materials.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

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, 2020	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P2,379,166**	**P2,379,166**	**P2,379,166**	**P -**	**P -**	**P -**
Trade and other receivables - net	**1,036,748**	**1,036,748**	**1,036,748**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**223**	**223**	**223**	**-**	**-**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**493**	**493**	**-**	**493**	**-**	**-**
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities* and deferred rent income**)	**5,109,919**	**5,109,919**	**5,109,919**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**33,172**	**33,172**	**33,172**	**-**	**-**	**-**
Long-term debt (including current maturities)	**330,847**	**350,984**	**179,054**	**171,930**	**-**	**-**
Lease Liabilities (including current portion)	**191,107**	**239,449**	**66,568**	**37,457**	**62,169**	**73,255**

**Derivative liabilities amounted to P33,172 as at December 31, 2021.*
***Deferred rent income amounted to P896 as at December 31, 2021.*

December 31, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P2,819,574	P2,819,574	P2,819,574	P -	P -	P -
Trade and other receivables - net	953,698	953,698	953,698	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	26,404	26,404	26,404	-	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	493	493	-	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities* and deferred rent income**)	5,145,038	5,145,038	5,145,038	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	218	218	218	-	-	-
Long-term debt (including current maturities)	496,264	537,154	186,169	179,055	171,930	-
Lease Liabilities (including current portion)	177,760	258,167	44,054	28,725	55,788	129,600

**Derivative liabilities amounted to P218 as at December 31, 2020.*
***Deferred rent income amounted to P892 as at December 31, 2020.*

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. 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 and Noncurrent Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Credit Quality

In monitoring and controlling credit extended to 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 non-current 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	2021	2020
Cash and cash equivalents (excluding cash on hand)	*5*	**P2,377,808**	P2,818,041
Trade and other receivables - net	*6*	**1,036,748**	953,698
Derivative assets	*8*	**223**	26,404
Noncurrent receivables and deposits - net	*13*	**493**	493
		P3,415,272	P3,798,636

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.

	2021				
	Financial Assets at Amortized Cost				
	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)	**P2,377,808**	**P -**	**P -**	**P -**	**P2,377,808**
Trade and other receivables	**-**	**1,036,748**	**681,070**	**-**	**1,717,818**
Derivative assets	**-**	**-**	**-**	**223**	**223**
Noncurrent receivables and deposits	**-**	**493**	**-**	**-**	**493**

	2020				
	Financial Assets at Amortized Cost				
	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)	P2,818,041	P -	P -	P -	P2,818,041
Trade and other receivables	-	953,698	690,536	-	1,644,234
Derivative assets	-	-	-	26,404	26,404
Noncurrent receivables and deposits	-	493	-	-	493

The aging of receivables is as follows:

December 31, 2021	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P697,584**	**P89,526**	**P68,680**	**P855,790**
Past due:				
1 - 30 days	**62,822**	**52,783**	**3,065**	**118,670**
31 - 60 days	**215**	**7,182**	**1,029**	**8,426**
61 - 90 days	**139**	**2,198**	**820**	**3,157**
Over 90 days	**7,720**	**60,493**	**663,562**	**731,775**
	P768,480	**P212,182**	**P737,156**	**P1,717,818**

December 31, 2020	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P569,555	P58,258	P36,655	P664,468
Past due:				
1 - 30 days	60,128	13,531	7,428	81,087
31 - 60 days	266	29,855	1,396	31,517
61 - 90 days	730	5,400	1,385	7,515
Over 90 days	9,563	184,232	665,852	859,647
	P640,242	P291,276	P712,716	P1,644,234

Various collaterals for trade receivables such as bank guarantees, cash bond, time deposit 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.

Receivables written-off amounted to P134,099 and P212,196 in 2021 and 2020, respectively (Notes 6 and 13).

The Group's cash and cash equivalents and derivative assets 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.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group’s business, operation and industry.

The Parent Company is required to comply with the capital requirements under the interest-bearing loan drawn from a local bank starting 2018 (Note 16). The Parent Company has to ensure that its debt-to-equity ratio will not exceed 5.0 times and debt service cover ratio will not fall below 1.25 times. This loan defined total debt as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position. Following the above requirements, debt-to-equity ratio and debt service cover ratio are calculated as 1.00 and 9.49, respectively, as at December 31, 2019. The Parent Company complied with the above requirements until the settlement of such loan in 2020.

Moreover, the Parent Company is also required to comply with the capital requirements under the interest-bearing loan drawn from a local bank on December 28, 2020 (Note 16). The Parent Company 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. The Parent Company complied with the above requirements in 2021 and 2020 with a debt-to-equity ratio of 0.029 and 0.55 as at December 31, 2021 and 2020, respectively, and EBITDA to interest coverage ratio of 320.35 and 68.67 as at December 31, 2021 and 2020, respectively.

The Parent Company is also required to comply with non-financial covenants under the said interest-bearing loan in which the Parent Company complied with in 2021 and 2020.

31. 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:

	December 31, 2021		December 31, 2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P2,379,166**	**P2,379,166**	P2,819,574	P2,819,574
Trade and other receivables - net	**1,036,748**	**1,036,748**	953,698	953,698
Derivative assets (included under "Prepaid expenses and other current assets" account)	**223**	**223**	26,404	26,404
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**493**	**493**	493	493
Financial Liabilities				
Accounts payable and accrued expenses (excluding derivative liabilities* and deferred rent income**)	**5,109,919**	**5,109,919**	5,145,038	5,145,038
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**33,172**	**33,172**	218	218
Long-term debt (including current maturities)	**330,847**	**338,923**	496,264	519,912

**Derivative liabilities amounted to P33,172 and P218 as at December 31, 2021 and 2020, respectively.*
***Deferred rent income amounted to P896 as at December 31, 2021.*

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. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Accounts Payable and Accrued Expenses. The carrying amount of accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt. 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 of reporting date. Discount rate used for Philippine peso-denominated loans ranges from 1.27% to 2.84% and 1.11% to 2.08% and as at December 31, 2021 and 2020, respectively. The carrying amounts of fixed rate approximate their fair values.

<u>Derivative Financial Instruments</u>
The Group's derivative financial instruments according to the type of financial risk being managed and the details of embedded derivative financial instruments are discussed below.

Derivative Instruments Not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include embedded derivatives found in host contracts, 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:

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$29,767 and US$29,664 as at December 31, 2021 and 2020, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net fair value of these embedded currency forwards amounted to (P32,949) and P26,186 as at December 31, 2021 and 2020, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P96,759), P88,294 and P33,221, in 2021, 2020 and 2019, respectively (Note 25).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2021	2020
Balance at beginning of year	**P26,186**	P7,213
Net change in fair value of non-accounting hedges	**(96,759)**	88,294
	(70,573)	95,507
Less fair value of settled instruments	**(37,624)**	69,321
Balance at end of year	**(P32,949)**	P26,186

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:

	December 31, 2021			December 31, 2020		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P223**	**P223**	P -	P26,404	P26,404
Financial Liabilities						
Derivative liabilities	**-**	**(33,172)**	**(33,172)**	-	218	218

The Group has no financial instruments valued based on Level 1 and Level 3 as at December 31, 2021 and 2020. In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

32. Events After the Reporting Date

a. *Declaration of Cash Dividends*

On March 9, 2022, the BOD declared regular and special cash dividends to all common shareholders of record as of March 25, 2022 amounting to P0.375 and P1.00 per common share, respectively. Cash dividends for common shares, both regular and special are payable on April 8, 2022.

b. *Russia-Ukraine Conflict*

While the Company has very minimal or no direct business in Russia and Ukraine, conflict could affect global supply and prices of production inputs, including fuel costs, as well as shipping/freight costs.

The extent to which the ongoing conflict will affect the Company will depend on future developments, including the actions and decision taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 9, 2022.

33. Other Matters

a. *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. No provision was recognized in 2021, 2020, and 2019.

The following are the material pending legal proceedings to which the Company is a party to:

- Case Pending with the SEC

  Josefina Multi-Ventures Corporation vs. San Miguel Corporation,
  San Miguel Food and Beverage, Inc. and Ginebra San Miguel Inc.
  SEC Case No. 05-18-468

  Josefina Multi-Ventures Corporation (the "Petitioner"), one of the stockholders of GSMI, filed a petition against SMC, SMFB and GSMI, docketed as SEC Case No. 05-18-468 (the "Petition"), questioning the share swap transaction between SMFB and SMC relative, among others to, the transfer of SMC's common shares in GSMI in exchange of SMFB's common shares.

The Petition sought (i) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefore, the issuance of new SMFB common shares from the increase in SMFB's capital stock; and, (b) SMFB's Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries SMB and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc. In a decision dated September 14, 2020, the SEC En Banc denied the Appeal Memorandum filed by Josefina for lack of merit.

- Tax Cases Pending with the Court of Tax Appeals (CTA)

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA En Banc Case No. 2555
CTA Case Nos. 8953 and 8954 (Consolidated)

These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P581,708 in Case No. 8953, and P133,551 in Case No. 8954, or in the total amount of P715,259, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, the CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the Commissioner of Internal Revenue filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P319,755 out of GSMI's original claim of P715,259.

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 July 28, 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.

- Tax Cases Pending with the Supreme Court (SC)

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
SC G.R. No. 25839
CTA En Banc Case No. 2308
CTA Case No. 9059

This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26,243, 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 February 6, 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 16, 2021, GSMI elevated the Decision of the CTA En Banc to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 25839.

- Intellectual Property Cases Pending with the Supreme Court ("SC")

Ginebra San Miguel Inc. vs. Director General of the Intellectual Property Office
G.R. No. 196372
SC En Banc

This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals (CA) affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC *En Banc.* The SC denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the SC *En Banc*.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of *"League of Cities vs. Commission of Elections"* (G.R. Nos. 176951, 177499 and 178056) to invite the SC *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the SC *En Banc* Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On January 4, 2019, the SC Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R. Nos. 216104, 210224 and 219632) with the En Banc case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of Tanduay Distillers Inc. [TDI] and Ginebra San Miguel Inc. [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.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. Nos. 210224 and 219632
SC - En Banc

These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 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.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. No. 216104
SC - En Banc

This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks(G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on 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.

b. *Commitments*

The outstanding purchase commitments of the Group amounted to US$92,138 (P4,698,981), US$96,748 (P4,646,113) and US$67,217 (P3,403,550) as at December 31, 2021, 2020 and 2019, respectively.

c. *Foreign Exchange Rates*

The foreign exchange rates used in translating the Thai Baht accounts of foreign joint ventures to Philippine peso were closing rates of P1.53 and P1.60 in 2021 and 2020, respectively, for consolidated statements of financial position accounts; and average rates of P1.50, P1.60 and P1.68 in 2021, 2020 and 2019, respectively, for income and expense accounts.

KPMG

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Ginebra San Miguel Inc. (the "Company"), as at and for the year ended December 31, 2021, on which we have rendered our report dated March 18, 2022.

Our audit was made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

KPMG

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.

Maria Arleene C. Yu

MARIA ARLEENE C. YU
Partner
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covering the audit of 2021 to 2025 financial statements
Tax Identification No. 225-068-761
BIR Accreditation No. 08-001987-041-2020
Issued December 22, 2020, valid until December 21, 2023
PTR No. MKT 8854089
Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2021
GINEBRA SAN MIGUEL INC.

3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center, Mandaluyong City

Unappropriated retained earnings, January 1, 2021	**P7,262,641**
Adjustments in previous years' reconciliation	**(3,090,481)**
Unappropriated retained earnings, as adjusted to available dividend distribution, January 1, 2021	**4,172,160**
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	**4,442,240**
Less: Non-actual/unrealized gain (loss) net of tax	
Unrealized forex exchange loss - (after tax) (except those attributable to Cash and Cash Equivalents)	**(12)**
Fair value adjustment (mark-to-market loss)	**(96,759)**
Deferred income tax benefit for the year	**25,729**
Sub-total	**(71,042)**
Net income actually earned during the year	**4,513,282**
Add (Less):	
Dividends declarations during the period	**(1,145,857)**
Appropriations of retained earnings during the period	**(3,512,000)**
Reversals of appropriations	**2,500,000**
Effect of prior period adjustment	**(1,121,476)**
Treasury shares	**(1,000,000)**
Sub-total	**(4,279,333)**
TOTAL RETAINED EARNINGS, DECEMBER 31, 2021 AVAILABLE FOR DIVIDEND DECLARATION	**P4,406,109**

KPMG

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel Inc. and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, on which we have rendered our report dated March 18, 2022.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J

KPMG

These supplementary information are 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 our audit of the consolidated financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu

MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 225-068-761
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Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel Inc. and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, on which we have rendered our report dated March 18, 2022. Our audits were made for the purpose of forming an opinion on the consolidated financial statements 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 Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

R.G. MANABAT & CO.

Maria Arleene C. Yu
MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
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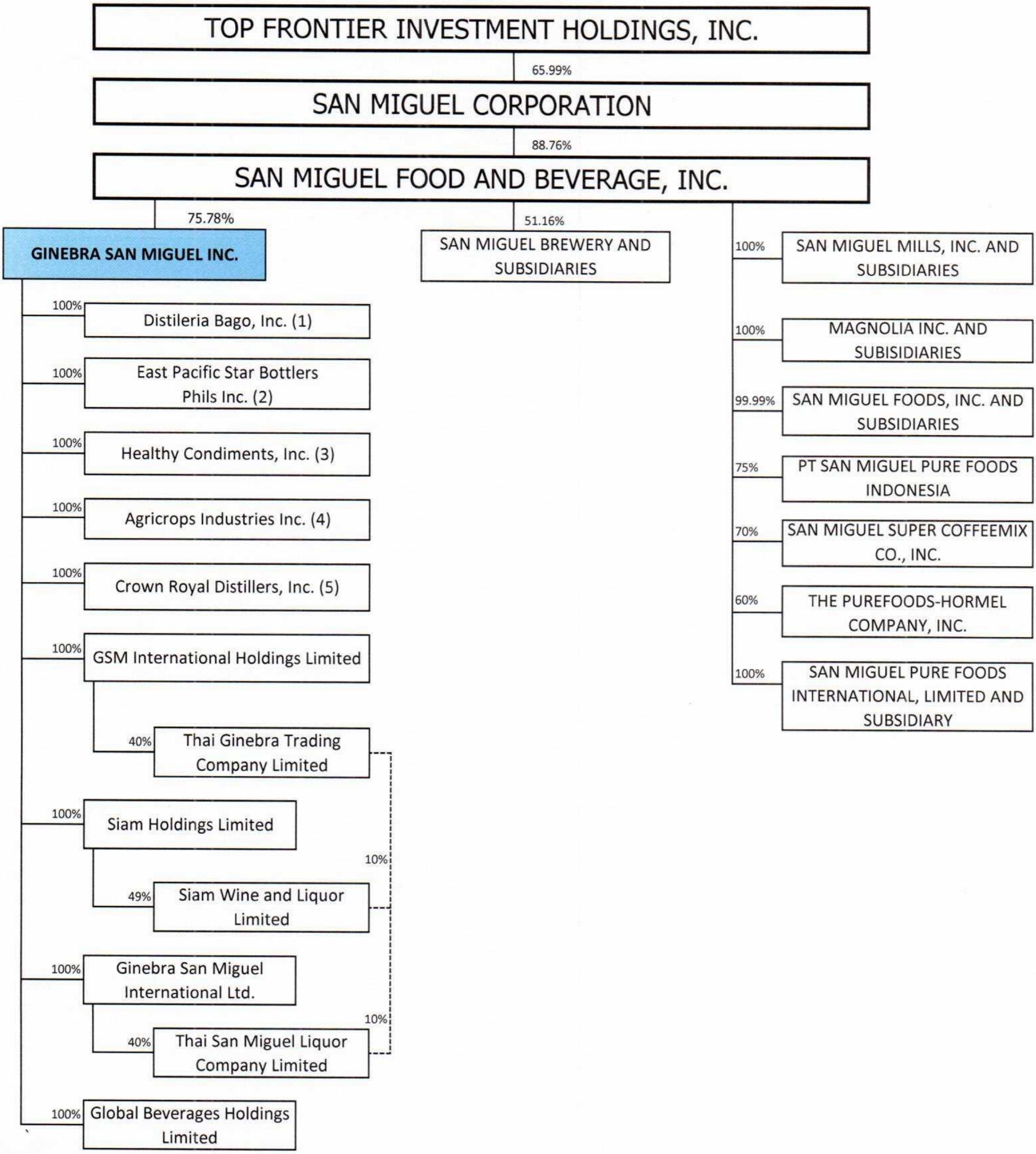
PTR No. MKT 8854089
Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

Schedule 2

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES GROUP STRUCTURE



(1) Incorporated on March 12, 1992 with primary purpose includes manufacturing, production, tolling, processing, marketing and distillation of alcohol.

(2) On January 27, 2012, GSMI acquired 100% of the outstanding capital stock of EPSBPI.

(3) Incorporated on January 31, 2008 with a primary purpose of manufacturing, selling and distributing vinegar, other sauce products, condiments and related ingredients.

(4) Incorporated on September 14, 2000 and started its commercial operations on February 3, 2017.

(5) Incorporated on March 16, 2001 and has not yet started commercial operations.

Schedule 3

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that Ginebra San Miguel Inc. and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2021 and 2020 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2021 and 2020 for operating efficiency ratios.

	December 31	
	2021	2020
Liquidity:		
Current Ratio	**2.23**	1.90
Acid Test Ratio	**0.57**	0.66
Solvency:		
Debt to Equity Ratio	**0.60**	0.70
Asset to Equity Ratio	**1.60**	1.70
Solvency Ratio	**2.67**	2.43
Profitability:		
Return on Stockholders' Equity	**36%**	29%
Return on Assets	**23%**	17%
Net Profit Margin	**10%**	8%
Interest Rate Coverage Ratio	**115.49**	33.48
Operating Efficiency:		
Volume Growth	**8%**	8%
Revenue Growth	**17%**	25%
Operating Margin	**12%**	11%

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

KPI	Formula
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Acid Test ratio	$\frac{\text{Current Assets - Inventories - Prepaid taxes and other current assets}}{\text{Current Liabilities}}$
Debt-to-equity ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Stockholders' Equity}}$
Asset-to-equity ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Stockholders' Equity}}$
Solvency ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Total Liabilities (Current + Noncurrent)}}$
Return on stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Stockholders' Equity}}$
Return on assets	$\frac{\text{Net Income}}{\text{Total Assets (Current + Noncurrent)}}$
Net profit margin	$\frac{\text{Net Income}}{\text{Net Sales}}$
Interest rate coverage ratio	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of all Business' Volume}}{\text{Prior Period Volume}}\right) -1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) -1$
Operating margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

December 31, 2021

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A. Financial Assets	ANNEX 68-J-1
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	Not applicable
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D. Long-term Debt	ANNEX 68-J-4
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F. Guarantees of Securities of Other Issuers	Not applicable
G. Capital Stock	ANNEX 68-J-7

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule A. **Financial Assets**
December 31, 2021
(In Thousands)

Name of Issuing Entity / Description of Each Issue	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at Dec. 31, 2020	Income Received and Accrued
Cash and cash equivalents	₱ 2,379,166	₱ 2,379,166	₱ (38,471)
Trade and other receivables - net	1,036,748	1,036,748	-
Derivative assets	223	223	-
Financial assets at FVPL	-	-	-
Available for sale financial assets	-	-	-
Noncurrent receivables and deposits - net	493	493	-
	₱ 3,416,630	₱ 3,416,630	₱ (38,471)

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Assets
December 31, 2021
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Distileria Bago, Inc.	₱ 321	₱ 148,278	₱ (148,264)	₱ -	₱ 335	₱ 335	₱ -	₱ 335
East Pacific Star Bottlers Phils Inc.	631,897	989	(984)	-	631,902	254	631,648	631,902
Agricrops Industries, Inc.	18,238	2,408	(1,094)	-	19,552	1,725	17,827	19,552
Healthy Condiments, Inc.	3,197	250	(71)	-	3,376	250	3,126	3,376
Global Beverages Holdings Ltd.	65,784	-	-	-	65,784	-	65,784	65,784
Siam Holdings Ltd.	91,512	-	-	-	91,512	-	91,512	91,512
	₱ 810,949	₱ 151,925	₱ (150,413)	₱ -	₱ 812,461	₱ 2,564	₱ 809,897	₱ 812,461

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule C. **Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Liabilities**
December 31, 2021
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Distileria Bago, Inc.	₱ (92,749)	₱ (1,291,878)	₱ 1,329,182	₱ -	₱ (55,445)	₱ (52,624)	₱ (2,821)	₱ (55,445)
East Pacific Star Bottlers Phils Inc.	(64,457)	(546,435)	543,575	-	(67,317)	(67,317)	-	(67,317)
Crown Royal Distillers Inc.	(93,750)	-	-	-	(93,750)	-	(93,750)	(93,750)
	₱ **(250,956)**	₱ **(1,838,313)**	₱ **1,872,757**	₱ **-**	₱ **(216,512)**	₱ **(119,941)**	₱ **(96,571)**	₱ **(216,512)**

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule E. Long-term Debt
December 31, 2021
(In Thousands)

Title of Issue	Agent / Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Non Current Transaction Cost	Amount Shown as Long-term	Current and Long-term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Fixed	Security Bank Corporation	₱ 333,333	₱ 166,667	₱ 1,250	₱ 165,417	₱ 166,666	₱ 1,236	₱ 165,430	₱ 330,847	Based in the relevant Peso Benchmark Rate B-VAL rate plus Credit Spread of 170bps with a Floor Rate of 4.00%. The Peso Benchmark Rate shall be equal to the 3-day Business Day simple average of the applicable Treasury securities, i.e 3-year B-VAL as displayed on Bloomberg.	Six (6) equal semi-annual installments, to commence six (6) months from Initial Drawdown Date	Quarterly	28-Dec-23
		₱ 333,333	**₱ 166,667**	**₱ 1,250**	**₱ 165,417**	**₱ 166,666**	**₱ 1,236**	**₱ 165,430**	**₱ 330,847**				

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule H. Capital Stock
As of December 31, 2021

Title of Issue	Number of shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Preferred shares	100,000,000	-	-	-	-	-
Common shares	460,000,000	286,327,841	-	216,972,000	209,500	69,146,341
	560,000,000	**286,327,841**	**-**	**216,972,000**	**209,500**	**69,146,341**

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLES
AS OF DECEMBER 31, 2021
Audited

TYPE OF ACCOUNTS RECEIVABLE		TOTAL	Current	< 30 days past due	30 - 60 days past due	60 - 90 days past due	Over 90 days past due
a). **Trade Receivables**	P	789,057	710,565	65,380	1,231	857	11,024
Less: Allowance for Doubtful Accounts		(7,929)	-	-	-	-	(7,929)
NET TRADE RECEIVABLES		**781,128**	**710,565**	**65,380**	**1,231**	**857**	**3,095**
b). **Non-Trade Receivables**		928,761	145,225	53,290	7,195	2,300	720,751
Less: Allowance for Doubtful Accounts		(673,141)	-	-	-	-	(673,141)
NET NON-TRADE RECEIVABLES		**255,620**	**145,225**	**53,290**	**7,195**	**2,300**	**47,610**
NET RECEIVABLES	**P**	**1,036,748**	**855,790**	**118,670**	**8,426**	**3,157**	**50,705**

Annex "E"

GINEBRA SAN MIGUEL INC.
2021 Reports on SEC Form 17-C

DATE REPORTED	SUBJECT
January 4, 2021	<u>Item 9. Other Events</u> Further to our disclosure on December 1, 2020, relating to the approval of the Board of Directors of the redemption of the Preferred Shares of the Company held by San Miguel Corporation (SMC) on January 4, 2021, we advise that the Company paid today, January 4, 2021, the redemption price of Php 30.50 per Preferred Share and all accumulated cash dividends (collectively the "Redemption Proceeds") to SMC. The Company confirms that all the 32,786,885 Preferred Shares held by SMC have been fully-redeemed. Said Preferred Shares are not listed in the Philippine Stock Exchange, Inc. The redeemed Preferred Shares will form part of the Treasury Shares of the Company and will remain therein until retired.
March 10, 2021	We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the "Board" and the "Corporation") held on March 10, 2021: <u>Item 9. Other Events</u> 1. With the favorable endorsement of the Audit and Risk Oversight Committee, the Board approved the audited separate and consolidated financial statements of the Company as at and for the year ended December 31, 2020 and the submission thereof to the Securities and Exchange Commission, The Philippine Stock Exchange, Inc. and Bureau of Internal Revenue. 2. The Board approved the schedule, venue and agenda of the 2021 Regular Stockholders' Meeting, as follows: a. Schedule Date and time of the 2021 Regular Stockholders' Meeting: May 27, 2021 at 2:00 P.M. Record date of stockholders entitled to vote at the said meeting: April 19, 2021 Closing of stock and transfer books: April 20 to 28, 2021 Deadline for the submission of proxies: May 10, 2021 Validation of proxies: May 14, 2021 b. Venue Via remote communication and livestreamed at the Company's website, http://www.ginebrasanmiguel.com. c. Agenda

	1. Certification of Notice and Quorum 2. Approval of the Minutes of the Regular Stockholders' Meeting held on June 23, 2020 3. Presentation of the 2020 Annual Report 4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers 5. Election of Directors 6. Appointment of External Auditor 7. Other Matters 8. Adjournment The Board also approved the grant of authority to the stockholder to vote in the Regular Stockholders Meeting through remote communication or in absentia, as circumstances may warrant, subject to the rules and regulations provided under SEC Memorandum Circular 6, Series of 2020, the Revised Corporation Code, and other applicable laws and regulations, in the light of the public health concern relating to the COVID-19 pandemic. 3. The Board approved the declaration of cash dividends to shareholders in the amount of Php0.25 per common share, payable on April 8, 2021, to all shareholders of record as of March 25, 2021. The stock and transfer book of the Company will be closed from March 26 to 30, 2021. 4. The Board also approved the recommendation of the Audit and Risk Oversight Committee to re-appoint R.G. Manabat & Co. as External Auditor of the Company for fiscal year 2021 during the Regular Stockholders' Meeting scheduled on May 27, 2021. 5. Lastly, the Board likewise approved the 2021 Material Related Party Transactions of the Company with San Miguel Yamamura Corporation and SMC Shipping and Lighterage Corporation.
May 5, 2021	We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the "Board" and the "Corporation") held on May 5, 2021: Item 9. Other Events The Board approved the declaration of cash dividends to holders of common shares as follows: a) Second Quarter regular dividend in the amount of Php0.25 per common share; and b) One-time special dividend in the amount of Php 1.00 per common share. The foregoing cash dividends shall be paid on June 3, 2021, to all holders of common shares of record as of May 21, 2021. The stock and transfer book of the Corporation will be closed from May 22 to 26, 2021.
May 27, 2021	We disclose that today, May 27, 2021, the following meetings of Ginebra San Miguel Inc. (the "Company") were held: Regular Stockholders' Meeting and Organizational Meeting of the Board of Directors ("Board").

Regular Stockholders' Meeting

Item 4. Resignation, Removal or Election of Registrant's Directors or Officers

1. The following directors were elected:

   Ramon S. Ang
   Francisco S. Alejo III
   Aurora T. Calderon
   Leo S. Alvez
   Gabriel S. Claudio
   Mario K. Surio
   Francis H. Jardeleza
   Minita V. Chico-Nazario - Independent Director
   Aurora S. Lagman – Independent Director

   The foregoing directors currently have 5,000 common shares each in the Company.

Item 9. Other Events.

2. The Minutes of the Regular Stockholders' Meeting held on June 23, 2020 was approved.

3. All acts, resolutions and proceedings of the Board and corporate officers of the Company since the Regular Stockholders' Meeting held on June 23, 2020 until May 27, 2021, the date of this year's meeting, as reflected in the minutes of the meetings of the Board, as well as financial statements and records of the Company were approved, confirmed and ratified.

4. Upon favorable recommendation of the Audit and Risk Oversight Committee, the auditing firm of R. G. Manabat & Co. was appointed as External Auditor of the Company for the fiscal year 2021.

Organizational Meeting of the Board of Directors

Item 4. Resignation, Removal or Election of Registrant's Directors or Officers

1. At the Organizational Meeting of the Board, the following Officers and Lead Independent Director were elected.

Ramon S. Ang	: President
Emmanuel B. Macalalag	: General Manager
Virgilio S. Jacinto	: Corporate Secretary and Compliance Officer
Cynthia M. Baroy	: Treasurer/Chief Finance Officer
Francis Joseph A. Cruz	: Assistant Corporate Secretary
Christine Angelica D. Felix	: Assistant Corporate Secretary
Isadora A. Papica	: Internal Audit Group Head/Chief Audit Executive

	Director Chico-Nazario was also elected as Lead Independent Director of the Company, in compliance with the Code of Corporate Governance for Publicly-Listed Companies and the Company's Manual on Corporate Governance. Of the aforementioned officers, Mr. Macalalag has 46,500 common shares, Ms. Baroy has 30,000 common shares, and Ms. Papica has 15,000 common shares in the Company. On the other hand, Atty. Jacinto, Atty. Cruz and Atty. Felix do not own shares in the Company. In the same meeting, the following were elected as Chairpersons and members of the following Board Committees: **<u>Executive Committee</u>** 1. Ramon S. Ang 2. Francisco S. Alejo III 3. Aurora T. Calderon 4. Ferdinand K. Constantino – Non-Director Member **<u>Audit and Risk Oversight Committee</u>** 1. Minita V. Chico-Nazario – Chairman 2. Francisco S. Alejo III 3. Leo S. Alvez 4. Aurora S. Lagman Ferdinand K. Constantino – Advisor **<u>Executive Compensation Committee</u>** 1. Ramon S. Ang – Chairman 2. Aurora T. Calderon 3. Leo S. Alvez 4. Minita V. Chico-Nazario 5. Ferdinand K. Constantino – Non-Director Member **<u>Corporate Governance Committee</u>** 1. Aurora S. Lagman – Chairman 2. Aurora T. Calderon 3. Leo S. Alvez 4. Gabriel S. Claudio 5. Mario K. Surio 6. Minita V. Chico-Nazario 7. Joseph Francis M. Cruz – Ex Officio Member <u>Item 9. Other Events.</u> 2. The Board also approved the designation of depository banks, approval of authorized signatories and limits for corporate transactions of the Company.

May 27, 2021	<u>Item 9. Other Events</u> Please see attached press release entitled "Ginebra Q1 profits more than double to P1.04B amid pandemic".
May 28, 2021	<u>Item 9: Other Events</u> Please see attached disclosure made to The Philippine Stock Exchange, Inc., in response to its request for clarification and/or confirmation on the news article entitled "Ginebra eyes three new plants on strong sales" posted in Manila Standard (Online Edition) on May 27, 2021.
August 4, 2021	We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the "Board" and the "Company") held on August 4, 2021: <u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officer</u> The Board, upon the recommendation of the Executive Compensation Committee, approved the promotion of Ms. Estrella M. Tamayo ("Ms. Tamayo"), Finance Operations Group Manager, to Assistant Vice President and Finance Operations Group Manager, effective August 1, 2021. Ms. Tamayo has been working with the Company since 1992 and has held the following positions in the Company for the past five (5) years: Finance Operations Group Manager (January 2017 – July 2021); Credit and Accounts Manager (January 2015 – December 2016); and Finance Services & Credit & Acct. Manager (July 2009 to January 2015). Ms. Tamayo is a Certified Public Accountant and has obtained her Bachelor of Science Degree in Commerce-Accounting at St. Louis University, Baguio in 1988. Ms. Tamayo owns 35,000 shares in the Company. <u>Item 9. Other Events</u> The Board approved the declaration of cash dividends to holders of common shares as follows: c) Third Quarter regular dividend in the amount of Php0.25 per common share; and d) Special dividend in the amount of Php 1.00 per common share. The foregoing cash dividends shall be paid on September 2, 2021, to all holders of common shares of record as of August 19, 2021. The stock and transfer book of the Company will be closed from August 20 to 24, 2021.

August 5, 2021	<u>Item 9. Other Events</u> Please see attached press release entitled "GSMI poised for further growth, H1 earnings up 66% to P2.1B".
August 27, 2021	<u>Item 9. Other Events</u> In compliance with SEC Memorandum Circular No. 19, Series of 2016, we advise that Mr. Mario K. Surio, Director of Ginebra San Miguel Inc. (the "Company"), has attended a seminar on Corporate Governance held on August 17, 2021 that was conducted by Center for Global Best Practices. The attached Certificate was received by the Company on August 27, 2021.
September 10, 2021	<u>Item 9. Other Events</u> In compliance with SEC Memorandum Circular No. 19, Series of 2016, we advise that the following directors of Ginebra San Miguel Inc., have attended a Seminar on Corporate Governance ("Seminar") that was conducted by SGV & Co. on September 3, 2021: **Name of Directors** 1. Mr. Francisco S. Alejo III 2. Justice Francis H. Jardeleza Copies of the Certificates of Attendance of the aforementioned directors are attached for your reference. Mr. Ferdinand K. Constantino, advisor of the Audit and Risk Oversight Committee and non-director member of the Executive Compensation Committee and the Executive Committee of the Company, also attended the Seminar. A copy of his Certificate of Attendance is likewise attached for your reference.
October 1, 2021	<u>Item 9. Other Events</u> In compliance with SEC Memorandum Circular No. 19, Series of 2016, we advise that Ms. Aurora T. Calderon, Director of Ginebra San Miguel Inc. (the "Company"), has attended a seminar on Corporate Governance held on September 23, 2021 that was conducted by SGV & Co. Attached is a copy of her Certificate of Attendance.
October 22, 2021	<u>Item 9. Other Events</u> In compliance with SEC Memorandum Circular No. 19, Series of 2016, we advise that the following Directors and Officers/Managers of Ginebra San Miguel Inc., have attended a Seminar on Corporate Governance that was conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on October 15, 2021. Copies of the Certificates of Completion of the following participants are attached for your reference. **Name of Directors** 1. Mr. Leo S. Alvez

<table>
<tr><td></td><td>2. Mr. Gabriel S. Claudio
3. Justice Minita V. Chico-Nazario (Ret.) – Independent Director
4. Justice Aurora S. Lagman (Ret.) – Independent Director

Name of Officers/Managers

1. Mr. Emmanuel B. Macalalag – General Manager
2. Ms. Cynthia M. Baroy – Chief Finance Officer
3. Atty. Virgilio S. Jacinto – Corporate Secretary and Compliance Officer
4. Atty. Francis Joseph A. Cruz – Assistant Corporate Secretary
5. Atty. Christine Angelica D. Felix – Assistant Corporate Secretary
6. Ms. Isadora A. Papica - Internal Group Audit Manager
7. Mr. Noel T. Callanta
8. Ms. Monina N. Cortez
9. Mr. Jaime P. Factor
10. Mr. Teodorico T. Lasin
11. Ms. Rosalina A. Lioanag
12. Mr. Allan P. Mercado
13. Ms. Eileen C. Miranda
14. Mr. Ronald Rudolf C. Molina
15. Mr. Saturnino G. Pajarillo, Jr.
16. Ms. Estrella M. Tamayo
17. Ms. Jennifer T. Tan
18. Mr. Ariel I. Victoria
19. Atty. Ariel D. Gonzales
20. Atty. Marie Antoinette V. Pascua

Attached also is the Certificate of Completion of Mr. Ferdinand K. Constantino, advisor of the Audit and Risk Oversight Committee and non-director member of the Executive Compensation Committee and the Executive Committee of the Company.</td></tr>
<tr><td>November 5, 2021</td><td><u>Item 9. Other Events</u>

In compliance with SEC Memorandum Circular No. 19, Series of 2016, we advise that Mr. Ramon S. Ang, Director and President of Ginebra San Miguel Inc. (the “Company”), has attended a seminar on Corporate Governance held on October 29, 2021 that was conducted by Center for Global Best Practices. Attached is a copy of his Certificate of Attendance.</td></tr>
<tr><td>November 10, 2021</td><td>We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the “Board” and the “Company”) held on November 10, 2021:

<u>Item 9. Other Events</u>

1. The Board approved the declaration of cash dividends to holders of common shares as follows:

e) Fourth Quarter regular dividend in the amount of Php0.25 per common share; and
f) Special dividend in the amount of Php 1.00 per common share.</td></tr>
</table>

	The foregoing cash dividends shall be paid on December 9, 2021, to all holders of common shares of record as of November 25, 2021. The stock and transfer book of the Company will be closed from November 26 to 30, 2021. 2. The Board likewise approved the appropriation of Php 3.512 Billion retained earnings of the Company. Of the said amount, Php 3 Billion will be used for expansion of capacity to support increase in demand and Php 512 Million will be used for rehabilitation plans of the Company's existing facilities.
December 29, 2021	<u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officer</u> We advise that Ms. Isadora A. Papica, Internal Audit Group Head/Chief Audit Executive of Ginebra San Miguel Inc. (the "Company"), will cease to hold office effective end of business day of December 31, 2021, as she will be transferred to another unit within the San Miguel Corporation Group ("SMC Group"). She will be replaced by Mr. Heinrici D. Legaspi who will start to hold office on January 1, 2022. Mr. Legaspi has been with the SMC Group since 1989 and has held the following positions in various units under the SMC Group for the past five (5) years: Operational Audit and Compliance Manager – San Miguel Corporation (April 1, 2017 to December 31, 2021); and Audit Manager – San Miguel Brewery, Inc. (January 1, 2010 to March 31, 2017). Mr. Legaspi is a Certified Public Accountant and has obtained his Bachelor of Science Degree in Commerce at University of Santo Tomas in 1987. Mr. Legaspi does not own any share in the Company.

GINEBRA SAN MIGUEL INC.

SUSTAINABILITY REPORT

Ginebra San Miguel Inc.

Contextual Information

Company Details	
Name of Organization	Ginebra San Miguel Inc. (“GSMI” or “Company”)
Location of Headquarters	3rd and 6th Floors, San Miguel Properties Centre St. Francis Street, Ortigas Center, Mandaluyong City
Location of Operations	With operations in Metro Manila, North and South Luzon, Visayas, and Mindanao, by itself or through its subsidiaries, enumerated hereunder: GSMI Head Office (Mandaluyong City, Metro Manila) GSMI Sta. Barbara Plant (Sta. Barbara, Pangasinan) GSMI Cabuyao Plant (Cabuyao, Laguna) East Pacific Star Bottlers Phils Inc. Cauayan Plant (Cauayan, Isabela) East Pacific Star Bottlers Phils Inc. Ligao Plant (Ligao City, Albay) GSMI Mandaue Plant (Mandaue City, Cebu) Distileria Bago, Inc. (Bago City, Negros Occidental) Agricrops Industries Inc. (Bago City, Negros Occidental)
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Report includes the following legal entities: Ginebra San Miguel Inc. (“GSMI”) Distileria Bago, Inc. (“DBI”) East Pacific Star Bottlers Phils lnc. (“EPSBPI”) Agricrops Industries Inc. (“Agricrops”) DBI, EPSBPI and Agricrops, which are wholly-owned subsidiaries of GSMI, are collectively referred to as the “Domestic Operating Subsidiaries”.
Business Model, including Primary Activities, Brands, Products, and Services	GSMI is the spirits division of San Miguel Food and Beverage, Inc. (“SMFB”), the latter being the food and beverage arm of San Miguel Corporation (“SMC”), the largest and most diverse conglomerate in the Philippines. GSMI has produced some of the most recognizable brands in the Philippine liquor market including the world’s no. 1 selling gin, Ginebra San Miguel, Vino Kulafu (market leader in the Chinese wine category), G.S.M.

	Blue, G.S.M. Blue Flavors, Ginebra San Miguel Premium Gin, Antonov Vodka, Don Enrique Mixkila, Primera Light Brandy, Añejo Gold Rum, 1834 Distilled Premium Gin and Tondeña Manila Rum (for export only). Last 2020, the Company added San Miguel Ethyl Alcohol to its product portfolio, in response to the COVID-19 global pandemic outbreak. (*http://www.ginebrasanmiguel.com/company-profile/*)
Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Emmanuel B. Macalalag General Manager

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
GSMI and its Domestic Operating Subsidiaries held an overview session with their senior management in August 2019. It was conducted to create a mutual understanding of the sustainability concepts and identify material topics that determined the environmental, social, and economic impacts of the Company's products and operations. The Company gathered metrics that defined and measured the material topics under the guidance of relevant and globally recognized reporting standards, specifically the Global Reporting Initiative (GRI) reporting standards and the Sustainability Accounting Standards Board's (SASB) Industry Standard for the Alcoholic Beverage Industry. Relevant data answering the identified metrics were collected from various departments of the Company and its Domestic Operating Subsidiaries. This was followed by a series of deep dive sessions with the Business Planning and Development (BPD) and Office of the General Counsel (OGC) that served as the sustainability reporting in-charge of the Company, in order to finalize material sustainability topics most significant to GSMI. Important note: As GSMI and its Domestic Operating Subsidiaries persist to improve their processes, enhance their policies, and develop responsive products and services, the Company and its Domestic Operating Subsidiaries' materiality processes and topics shall be continually reviewed and updated accordingly to ensure topics remain valid and more relevant at the publication of this report. Per-topic discussions of impacts, risks, and opportunities, instead of per-metric discussions, were made since the identified risks and opportunities apply to the topic rather than the individual metrics under one topic.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure*	2021	2020	Units
Direct economic value generated (revenue)	42,578	36,220	Mn PhP
Direct economic value distributed:			
a. Operating costs (including payments to suppliers)	15,210	16,524	Mn PhP
b. Employee wages and benefits	1,964	1,530	Mn PhP
c. Dividends given to stockholders and interest payments to loan providers	1,135	424	Mn PhP
d. Taxes given to government	20,885	14,757	Mn PhP
e. Investments to community (e.g. donations, CSR)	42	94	Mn PhP

**Figures herein can be cross-checked with the GSMI's 2021 Audited Consolidated Financial Statement.*

Impacts and Risks

The Company recognizes the significant impacts of the economic value that it, together with its Domestic Operating Subsidiaries, is generating through its respective product lines. This economic value is distributed to different stakeholders such as the government, employees, stockholders and investors, suppliers, and various communities. This enables economic growth and contributes to national and institutional development.

Good economic performance of the Company enables it to sustain its business and operations, fairly compensate its employees, pay taxes due to the government, and distribute value to other stakeholders. Of the total economic value generated by the Company, 92.1% is distributed to its various stakeholders, while the remaining 7.9% is retained and reinvested for the next fiscal year for the overall operations of the Company.

Allocation for operating cost is the highest at 35.7% of the total economic value generated. In addition, 4.6% went to the wages and benefits of employees, 2.7% paid to providers of capital, and 0.1% apportioned to partner communities through donations and Corporate Social Responsibility (CSR) programs.

Being a responsible Company, GSMI remitted to the government around 49.1% of its total economic value generated by means of taxes.

The ability of the Company and its Domestic Operating Subsidiaries to generate and distribute economic value is threatened by major risks, enumerated as follows:

- Competitor risks
- Regulatory risks
- Raw material supply/price risks
- Currency risks
- Credit risks

The Company and its Domestic Operating Subsidiaries established and implemented policies and protocols to make sure that these risks are monitored and controlled. More details of these risks and specific management policies can be found in the Company's SEC Form 17-A.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Investors, Customers

Management Approach for Impacts and Risk

Risk management is critical to the overall sustainability of any business operation. Major risks should be identified and assessed, and the measures to mitigate these risks should be integrated in the planning and decision-making of the Company and its Domestic Operating Subsidiaries.

The liquor industry is highly dynamic, with preferences of its consumers shifting constantly. Over the years, the Company has managed to remain competitive in terms of brand equity, product portfolio, quality, and price by sustaining brand relevance, keeping attuned to market trends, and pursuing product innovation.

Change in government regulations can also affect both operations and profitability. This is managed by adhering to applicable laws and regulations, while pressure on profitability is cushioned by appropriately increasing prices of products and improving manufacturing efficiency through streamlining of production process and new technology adoption.

Meanwhile, the local supply and prices of molasses remain volatile given the current demand-supply situation. These risks are addressed through close monitoring of raw material requirements, covering purchases with forward supply contracts, and continuous broadening of supply sources which includes importation of molasses and alcohol to augment shortages. Currency risk from imported materials is minimized by active and prudent management of its foreign exchange.

While most of the Company's customers are on cash basis, programs to control risk of default include the application of credit approvals, limits, and monitoring procedures. This is an internal mechanism to monitor the granting of credit and management of credit exposures. Where appropriate, the Company also obtains collateral or arranges master netting agreements.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries continuously look forward to various strategies and management approaches that can be applied in order to maximize its ability to generate revenue/economic value, thus sustaining yearly revenue growth. This will have more economic impact to all the stakeholders of the Company and its Domestic Operating Subsidiaries.

Climate-related risks and opportunities

The Company highly relies on raw materials sourced from agricultural crops, especially molasses from sugarcane, which are vulnerable to climate-related risks such as typhoons and drought. Since the Philippines is prone to typhoons, severe weather conditions can also result in disruptions in logistics and supply chain operations.

Supply of raw materials is secured by keeping optimum physical inventory in storage and engaging in purposive multi-continent sourcing. The Company also takes appropriate procurement strategies to manage climate-related risks and ensure sustainability of its raw materials.

In line with the SMFB Group's goal to further incorporate sustainability into its conduct of business, the Company is studying how it can integrate more topics related to climate change in Board and Management Committee agendas, risk frameworks, and strategies. As an initial step, the Corporate Governance Seminar attended by the Board in the previous years included a discussion on sustainability reporting which covered “Environment” as one of the key impacts.

Procurement Practices

Proportion of spending on materials from local suppliers

Disclosure	2021	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	75	%

Impacts and Risks

GSMI and its Domestic Operating Subsidiaries operates in different regions and the presence of their supply chain operations promotes inclusive growth, from materials procurement to product distribution. The engagement of local suppliers and service providers in these areas positively impact economic growth of local communities through employment and business opportunities. However, unfavorable business conditions can also result to the contrary.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Investors, Local Communities

Management Approach for Impacts and Risks

GSMI and its Domestic Operating Subsidiaries always endeavor to optimize sourcing of goods and services at the local level. Contracting multiple local suppliers to ensure supply security at most economical cost without compromising quality.

Furthermore, the Company constantly engages and communicates with its local suppliers to create a venue to help them identify opportunities on how to expand their business and improve their overall service. Through this collaborative approach, strong and long-term partnerships have been cultivated with many of GSMI's local suppliers.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continue to seek more opportunities to engage local suppliers and service providers to spur economic activity in areas where they operate.

Anti-corruption

Training on Anti-corruption Policies and Procedures*

Disclosure	2021	2020	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated	100	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated	100	100	%
Percentage of directors and management that have received anti-corruption training**	100	100	%
Percentage of employees that have received anti-corruption training***	0	0	%

**GSMI Code of Conduct and Ethics contains anti-corruption policies. The policies have been cascaded across the Company and its Domestic Operating Subsidiaries.*

***The Corporate Governance Seminar attended virtually by GSMI directors and officers in 2021 includes a discussion on third party risk management, such as risk profiling, due diligence checks, and code of conduct, as well as a discussion on internal control and risk management and political risks.*

**** There is no specific training on anti-corruption, but Company policies are included in the yearly activities/training related to its Vision, Mission and Values (VMV). One of the Company values is "We do what is right" whereby policies on anti-corruption are discussed.*

Incidents of Corruption*

Disclosure	2021	2020	Units
Number of incidents in which directors were removed or disciplined for corruption	0	0	Count
Number of incidents in which employees were dismissed or disciplined for corruption	0	0	Count
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	0	Count

**The Company and its Domestic Operating Subsidiaries are 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

Existence of corruption can compromise not only various aspects of business operations but also its credibility towards its stakeholders. Corruption gives undue benefits and advantages to unintended beneficiaries and also unsettles normal economic flows from the Company to its stakeholders and vice versa.

Incidences of corruption may place the reputation of GSMI and the brands under its portfolio at risk. This could lead to a weakened market position and strained relationship with its various stakeholders.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Investors, Customers

Management Approach for Impacts and Risk

GSMI abides by its commitment to the value of "*Malasakit*" – in doing what is right. The Company fully recognizes the importance of adhering to the highest standards of business conduct in its overall growth and success.

As such, the Company is firmly committed to promoting a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business and expects each of its directors, officers, managers and employees to observe with zeal such core values in the performance of their duties, in their relationships with fellow employees, and in all their dealings with shareholders, customers, suppliers, government, and the general public. As expressed in the Company Code of Conduct and Ethics, GSMI has established a fundamental standard of conduct and values consistent with the principles of good governance and business ethics. These are disseminated to employees across the organization to be embedded in the Company's culture.

The Company Code of Conduct and Ethics can be found in this link:

https://www.ginebrasanmiguel.com/wp-content/uploads/2019/02/Code-of-Conduct-and-Ethics.pdf

The Company has in place policies and guidelines on Conflicts of Interest, Material Related Party Transactions, Policy on Solicitation and Acceptance of Gifts and Whistleblowing. Grievance channels on reporting concerns of employees and business partners are also available. This ensures that occurrence of an inappropriate behavior that may compromise or undermine the Company or any of its Domestic Operating Subsidiaries is avoided.

Details on these are published in GSMI's official website via this link:

https://www.ginebrasanmiguel.com/corporate-policies/

Overall, the Company abides by its Corporate Governance Manual (CG Manual) that institutionalizes the principles, policies, programs, and procedures of good corporate governance in the entire organization. As stated in the CG Manual, "the Corporation does not tolerate corrupt practices, as expressed in its Code of Ethics and various anti-corruption policies and programs, which are disseminated to employees across the organization to embed them in the Corporation's culture."

More details on the CG Manual can be found via this link:

https://www.ginebrasanmiguel.com/wp-content/uploads/2019/02/GSMI-Amended-Manual-on-Corporate-Governance-2017.pdf

The foregoing values and policies are also made applicable to the Domestic Operating Subsidiaries.

Opportunities and Management Approach

The Company imposes strict guidelines in its Code of Conduct and Ethics, and also requires that "The Code shall be reviewed (annually) or as may be deemed necessary by the Company." The Company thus, recognizes the opportunity to regularly review and evaluate guidelines, policies, and initiatives related to anti-corruption and its effectiveness. In addition, more trainings and campaigns on anti-corruption are continuously being explored.

ENVIRONMENT

Resource Management

Energy consumption within the organization*

Disclosure	2021**	2020	Units
Energy consumption (renewable sources)	478,795	539,065	GJ
Energy consumption (fossil-derived fuels)	566,956	516,979	GJ
Energy consumption (electricity)	21,823,709	18,314,134	kWh

**The energy consumption is expressed in gigajoules (GJ).*
*** For 2021, data includes company-owned facilities and vehicles, and select rented facilities.*

Reduction of energy consumption

Disclosure	2021	2020	Units
Energy consumption (all sources)	3,697	3,543	GJ

Impacts and Risks

All facilities' energy requirements for operations currently rely on liquid fuel and the electric grid, with the exception of DBI. Aside from these sources, 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, the country is still dominated by coal-fired power plants for energy generation. Thus, it is inevitable that facilities indirectly generate greenhouse gases (GHG) emissions due to consumption of electricity from the grid. In addition, expansion of business operations could result in an increase in GHG emissions that could contribute to climate change.

Stakeholders: Local Communities, Regulators, Employees

Management Approach for Impacts and Risks

Energy saving programs were sustained and new initiatives have been implemented across operations of the distillery and bottling plants. Examples of which are: (1) improvement in production efficiency that reduced energy consumption per liter of product produced, (2) installation and usage of more energy-efficient machines and equipment, (3) replacement of old and busted mercury-type and fluorescent bulbs with LED-type bulbs, (4) replacement of old air-conditioning units with inverter types once old units have expired or have reached their full-service life, and (5) replacement of street lamps with solar powered alternatives.

Higher production efficiency leads to more peso savings from lesser use of non-renewable energy, thus, the Company and its Domestic Operating Subsidiaries prioritized projects and programs that support it. Along with having production facilities well-maintained by a highly trained production workforce, the programs implemented were intended and designed to reduce equipment downtime and maximize production output.

Extended downtimes were reduced and kept to a minimum in the facilities through the improvement in the operation of boilers, installation of a biogas dryer that enhanced biogas quality in DBI, reconditioning of machines, and effective preventive maintenance programs.

To maximize production output, DBI innovated in operating its fermentation facility to adapt to the changing quality of molasses, consequently, increasing alcohol yield per metric ton of molasses. In the bottling plants, there were machine improvements and automation of processes that increased bottling capacity and efficiency.

In addition, various formal and informal training are provided to employees to ensure their continuous career and personal development. Combined with years of experience and expertise in their respective functions, these enable them to constantly apply operational and machine improvements and innovations that can minimize downtime and increase the efficiency of distillery and bottling operations.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries continue to closely monitor and analyze their energy consumption to identify possible opportunities for innovations to further improve energy efficiency. These include improvement in processes and investment in more energy efficient machines, devices, and equipment. In addition, the Company and its Domestic Operating Subsidiaries will continue to study the feasibility of investing in other renewable energy sources (e.g. solar and wind) in order to further decrease the reliance on non-renewable energy especially fossil-derived fuels.

Water consumption within the organization

Disclosure	2021	2020	Units
Water withdrawal	2,919,761	2,820,522	m^3
Water consumption	462,284	614,520	m^3
Water recycled and reused*	162,633	282,506	m^3

** In 2021, there was a replacement of equipment to become more water-efficient, which resulted in lower recycled water.*

Impacts and Risks

Water plays a vital role in the Company and its Domestic Operating Subsidiaries' product and non-product operations. Water for non-product mostly goes to domestic use, maintenance of facilities, and cleaning of equipment, while a significant portion of water consumption is discharged back to the environment, after being treated appropriately.

Although the distillery and bottling plants are not located in water-stressed areas, the continuous use of water in their operations may potentially affect water supply in vicinity.

Stakeholders: Local Communities, Regulators, Employees

Management Approach for Impacts and Risks

The Company and its Domestic Operating Subsidiaries have implemented major water conservation projects as early as 2015, which was reinforced by the SMC group's launch of the Water for All initiative 50 X 2025[1] back in 2017.

To support the project of the SMC group, the Company and its Domestic Operating Subsidiaries established and strengthened their Water Resource Management (WRM) Program in all facilities to identify and implement water reduction programs. This was achieved through (1) elimination of water wastage across operations, (2) re-use and recycling of more water, (3) harvest of rainwater, and (4) installation of more water-efficient equipment. Management also identified key individuals to spearhead these initiatives and monitor the reduction performance of each facility. Additional water meters were installed in key areas of each facility in order to establish proper accounting of water usage for baselining of data, which helped identify specific areas of water treatment and production where water conservation and recycling programs could have a significant impact.

DBI, with its own WRM Program already in place prior to the implementation of SMC's Water for All initiative, achieved a 29% decrease in its plant water index (liter of water consumption per liter of produced alcohol) since 2017. The decrease in overall water consumption was because of the various programs implemented such as spent water recovery, balancing steam production and power generation, rainwater harvesting, regular water monitoring and leak audits, and water recycling and re-use. Meanwhile, against SMC's Water for All targets, DBI is also at 28% achievement as of this reporting period.

In bottling facilities, the processes for washing and sanitation of bottles and equipment were likewise reviewed. Equipment modification, revision to operational processes, and recovery and re-use of water from other processes were applied in order to reduce water consumption and the volume of wastewater to be treated. Continuous maintenance of the water treatment facility and distribution lines likewise contributed to lesser water consumption.

Collectively, the Company and its Domestic Operating Subsidiaries have already achieved a 37% water reduction versus their SMC Water for All target and is aligned with SMC's goal of achieving 50% water reduction by year 2025.

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[1] By 2025, SMC commits to reduce the total water consumption of water across the entire San Miguel Group of Companies by 50%.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries are looking forward to having additional rainwater harvesting facilities in order to further maximize the use of rainwater and reduce overall water withdrawal.

Moreover, regular analysis of water consumption and quality trends will be continued to seek out other opportunities for recycling and re-use. This includes conduct of studies that aim to improve processes or replace equipment that consume significant amounts of water.

Materials used by the organization

Disclosure	2021*	2020	Units
Materials used by weight or volume			MT
• Renewable	560,406	492,984	
• Non-renewable	95,820	103,524	
Percentage of recycled input materials used to manufacture the organization's primary products and services	32	26	%

**2021 figures include raw materials associated to process and operations.*

Impacts and Risks

DBI produces alcohol using molasses, a renewable material that comes from sugarcane and a by-product of the sugar-making process. Molasses, which used to be a waste from the sugar-making process, reduces the reliance on alternative agriculture-based feedstock like cassava, corn and raw sugar. Since molasses is derived from sugarcane, supply availability may be affected by natural calamities such as drought and flood. Furthermore, geopolitical situations and new regulations can impact the importation of this raw material.

The Company also uses glass bottle containers for the packaging of its liquor products. Since these are derived from non-renewable materials like sand and other minerals, the Company's use of these natural resources leads to depletion and consequently contributes to additional GHG emissions to produce them.

Stakeholders: Local Communities, Suppliers, Regulators, Employees

Management Approach for Impacts and Risks

Demand forecasting across the supply chain is conducted regularly to enable production planning for optimum operating efficiency and raw material sourcing. Furthermore, various quality systems are implemented to ensure that raw materials from accredited suppliers pass the quality parameters upon acceptance up to finished goods production.

In line with this, the Company addresses risks related to sourcing of its agriculture-based raw materials (molasses) by closely monitoring both local and international markets, keeping inventories at optimum level, and engaging in multi-continent sourcing. These ensure continuous supply of raw materials for production requirements. More details on this risk can be found in the main narrative in the Company's SEC Form 17-A.

The Company also devotes considerable efforts to retrieve and re-use glass bottle containers thereby significantly minimizing impact on the environment. Because of the nationwide bottle retrieval programs, second-hand bottles accounted for 66% of total bottles used in 2021. Furthermore, collected bottles that are no longer apt for production are sold as glass cullets to scrap buyers, for recycling into new ones. Through this cycle, glass bottle producers decrease their reliance on virgin materials to create brand new bottles. Consequently, GHG emissions are also reduced.

Opportunities and Management Approach

The Company will continue sourcing from multiple supply streams for molasses, and further expand the supplier network of its other raw materials. For bottles, the Company will continue to strengthen its retrieval activities and maximize re-use in production to save on the use of new glass material. As a consequence, this initiative can contribute to lesser emissions and mining activity due to production of new glass.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	2021	2020	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas*	1	1	count
Habitats protected or restored**	12	12	Hectares
IUCN Red List species and national conservation list species with habitats in areas affected by operations***	2	2	species type

**Distileria Bago, Inc. (DBI) is located along the coastal lines of Guimaras Strait.*
***Mangrove Reforestation Area along the coastline of Guimaras Strait.*
****Species inhabited in Guimaras Strait and categorized as (1) Critically Endangered as per International Union for Conservation of Nature and Natural Resources (IUCN) Red List of Threatened Species 2018: Orcaella brevirostris (Irrawaddy dolphin) (Iloilo-Guimaras Subpopulation); (2) Vulnerable as per IUCN Red List of Threatened Species 2018: Dugong dugon (Dugong).*

Impacts and Risks

DBI is located along the coast lines of Guimaras Strait, an identified Biodiversity Conservation Site in Western Visayas by the Department of Environment and Natural Resources (DENR). DBI recognizes that its operation, especially its air emissions and wastewater discharge, if improperly managed, may pose a risk to the flora and fauna in the area.

Stakeholders: Local Communities, Regulators, Employees

Management Approach for Impacts and Risks

The Company, through DBI, ensures that its final treated effluent is always compliant with DENR General Effluent Standard (GES) under DAO 2016-08 and the updated DAO 2021-19 discharged through a submarine pipeline to Guimaras Strait.

Sometime in the mid-1990s, DBI established a Mangrove Reforestation Area along the coast lines where the distillery is located. Now estimated to measure up to 12 hectares, it was also observed to have an excellent survival rate of 96% proving that the area has remained healthy. These mangroves were also planted to contribute to the conservation of the natural biodiversity of Guimaras Strait and reduce risk of flooding and soil erosion[2]. Regular tree planting within the vicinity is conducted every year.

Also, as part of its advocacy, DBI constantly monitors the coast line to ensure the surrounding area is kept clean. This includes regular coastal cleanups conducted by DBI in collaboration with the local government unit and volunteers from nearby communities. It is one of the longest running corporate social responsibilities of GSMI, as part of its commitment to environmental protection.

Opportunities and Management Approach

The Company, through DBI, continuously looks forward to possible expansion of its initiatives for the conservation of Guimaras Strait as part of GSMI's long-standing commitment of being a good and responsible neighbor.

[2] https://blogs.worldbank.org/eastasiapacific/mighty-mangroves-of-the-hilippines-valuing-wetland-enefits-for-risk-reduction-conservation

Environmental Impact Management

Air Emissions

*GHG**

Disclosure	2021*	2020	Units
Direct (Scope 1) GHG Emissions	43,771	40,083	Tonnes CO_2e
Indirect (Scope 2) GHG Emissions	15,547	13,043	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)**	Not applicable	Not applicable	Tonnes

** For 2021, data includes company-owned facilities and vehicles, and select rented facilities.*
***We do not use Ozone Depleting Substances; hence we do not have any ODS emissions.*

Impacts and Risks

The Company and its Domestic Operating Subsidiaries recognize the prevalence of greenhouse gases (GHG) as natural by-products of their overall operations. Their direct (Scope 1) GHG emissions are derived from fuel combustion of generator sets and boilers, while indirect (Scope 2) GHG emissions are derived from consumption of electricity purchased from the national electric grid.

There are far-ranging effects of GHG emissions to the environment and health. These could mainly translate to climate change. Extreme weather conditions could occur, affecting the yield of agricultural crops used as raw materials and disrupt the transport of goods both local and global.

Stakeholders: Local Communities, Regulators, Suppliers, Employees

Management Approach for Impacts and Risks

The distillery 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, DBI's generation of biogas greatly lessens its use of petroleum fuels. DBI is also able to reduce its emissions through capturing biogenic carbon dioxide (CO_2) gas that is a by-product of fermentation in alcohol-making. This gas is further processed into liquid CO_2 and utilized by beverage industries producing carbonated drinks.

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

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continuously explore available technologies that could help improve the efficient use of energy. Through this, more energy-saving initiatives could be explored to further reduce GHG emissions.

Air pollutants

Disclosure	2021*	2020	Units
NO_x	115	87	tons
SO_x	205	454	tons
Volatile organic compounds (VOCs)	26	0	tons
Particulate matter (PM)	39	45	tons

** For 2021, data includes company-owned facilities and vehicles, and select rented facilities.*

Impacts and Risks

Air pollutants, such as NOx and SOx, can emanate from the combustion of fuels used to power the necessary machineries or equipment in various facilities. This could affect ambient air quality and contribute to climate change. If not managed well and without the installation of the proper equipment, emissions may also pose a health and safety risk to people and the environment.

Stakeholders: Local Communities, Regulators, Employees

Management Approach for Impacts and Risks

The Company and its Domestic Operating Subsidiaries have placed necessary measures to make sure that their air emissions are within relevant environmental standards. In compliance with the requirements of the Department of Environment and Natural Resources (DENR), they installed CCTV units to monitor the smoke emitted by the smokestacks from all facilities. They conduct boiler and generator emission monitoring, ambient air quality monitoring in all bottling plants, and air sampling in DBI. In addition, they implemented other programs to improve quality of air emission, which includes the following: (1) regular maintenance of boilers and generators and cleaning of smokestacks and (2) desooting and hydro-testing procedures of boilers.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continuously explore available technologies and analyze their air emission trends to come up with innovations in terms of treatment and fuel consumption.

Solid and Hazardous Wastes

Solid Waste

Disclosure	2021	2020	Units
Total solid waste generated	11,172	11,712	tons
Reusable	215	11,171	tons
Recyclable	10,265		tons
Composted	10	1.3	tons
Incinerated	N/A	N/A	tons
Residuals/Landfilled	682	540	tons

Impacts and Risks

Solid wastes are inherently generated from operations - from materials procurement to disposal. Improper solid waste management could contribute to land and water pollution while those transported to landfills could possibly cause land degradation, methane gas production, and toxic substance leaching, among others. In addition, mismanagement of waste may pose a potential risk to applicable health codes.

Stakeholders: Local Communities, Regulators, Employees

Management Approach for Impacts and Risks

To ensure reduction in solid waste disposal, systematic solid waste management procedures are implemented. All facilities have a Material Recovery Facility (MRF) to ensure that wastes are properly segregated at source and recoverable wastes are prevented from degrading. To enforce proper segregation, employees are oriented on the proper use of garbage bins inside the facilities that are tagged and color-coded for easy identification. Solid wastes are hauled and disposed of appropriately, while recoverable wastes such as cartons, glass cullets and aluminum caps are sold to accredited scrap buyers, which are recycled or reused, to lessen waste for disposal.

Efforts on waste management is not limited within production facilities. A purposive program is on-going to expand digitalization of records and documents to further reduce generation of paper waste. Employees are also highly encouraged to reduce their carbon footprint. The

Human Resources (HR) Department deploy various projects, activities and learning sessions to create awareness and educate employees on the different sustainable development initiatives of the business.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continue to look for initiatives and projects that aim to further maximize use of materials and by-products and the recovery of recyclable materials, which will lead to lesser waste generated.

Hazardous Waste

Disclosure	2021	2020	Units
Total weight of hazardous waste generated	35	100	tons
Total weight of hazardous waste transported	37	148	tons

Impacts and Risks

Apart from the solid wastes generated by facilities, some hazardous wastes are also generated from daily operations. If not handled properly and mismanaged, these could pose a risk to human health and the environment. Furthermore, improper disposal may lead to regulatory penalties, sanctions and could undermine the Company's reputation.

Stakeholders: Local Communities, Regulators, Employees

Management Approach for Impacts and Risks

Across all facilities of the Company and its Domestic Operating Subsidiaries, hazardous wastes are collected, stored, and properly labelled in a Hazardous Waste Storage Facility, which is regularly monitored and maintained by trained personnel. These are segregated with secondary containment to ensure that no cross-contamination would occur. Furthermore, in compliance with Republic Act 6969, otherwise known as the "Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, and its Implementing Rules and Regulations, wastes are properly handled and treated by DENR-certified transporters and treaters whose scope of work and responsibilities include the following:

- Conduct of laboratory analyses on the hazardous waste collected
- Joint-preparation of transport manifest form
- Processing, treatment, recycling or disposal within thirty (30) days from the time of hauling
- Issuance of Certificate of Treatment/Recycle/Disposal after treatment of wastes

In addition, the distillery and bottling facilities have continuously looked for ways to lessen or replace the use of hazardous materials in their operations. As an example, one initiative by DBI in the past did not only eliminate the use of these chemicals, but also resulted in increased efficiency of its distillation and fermentation processes.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries are always looking for ways to eliminate or keep the use of hazardous materials at a minimum. These include adopting innovations and technologies that can either reduce usage or further improve handling, treatment and disposal of hazardous waste.

Effluents

Disclosure	2021*	2020	Units
Total volume of water discharges	2,457,477	2,206,003	m^3

**In 2021, additional water meters were installed to improve measurement of water discharge.*

Impacts and Risks

The wastewater discharges from facilities may contain contaminants, primarily organic pollutants, that can affect the environment within the surrounding area. If left untreated, these discharges can contribute to pollution and also alter the natural biodiversity bodies of water where these are being discharged. Furthermore, non-compliance to these regulatory standards may lead to possible penalties, sanctions and carry reputational risks for the Company and its Domestic Operating Subsidiaries.

Stakeholders: Local Communities, Regulators, Employees

Management Approach for Impacts and Risks

The Company and its Domestic Operating Subsidiaries ensure that their water discharges are compliant with all existing regulations. Compliance of effluent quality with the General Effluent Standards of 2016 and 2021 is ensured through regular in-house and third-party water sampling and analysis, which enable monitoring of plant's wastewater treatment performance and trigger adjustment to operations, if necessary. Pollution Control Officers are also sent to external training to enable them to adopt the best practices in the industry.

In addition, some of the partially treated slops from the distillery are further processed and fortified with additional nutrients to become liquid fertilizer. These, in turn, are used and applied by local sugarcane farmers to optimize crop yields, thereby creating a cycle of returning to soil the same nutrients that were depleted during sugarcane growth until harvesting.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continuously monitor their wastewater discharge quality and quantity. Proven post-treatment technologies are continuously evaluated, recycling initiatives pursued and other water conservation projects could be considered to lessen overall wastewater discharge. DBI's wastewater, if further treated using emerging technologies, could be re-used by nearby farming communities as irrigation water.

Environmental Compliance

<u>Non-compliance with Environmental Laws and Regulations</u>

Disclosure	2021	2020	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	1,030,000*	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0	Count
No. of cases resolved through dispute resolution mechanism	0	0	Count

** East Pacific Star Bottlers Phils Inc complied with the payment of the fine imposed by the DENR-Pollution Adjudication Board in the case entitled "In the matter of Water Pollution Control and Abatement Case vs. East Pacific Star Bottlers Phils Inc.", docketed as DENR-PAB Case No. 02-F00184-1 For details you may refer to the following disclosure: https://www.ginebrasanmiguel.com/wp-content/uploads/2020/10/GSMI-SEC-FORM-17-C-2020.07.22-re-EPSBPI-DENR-PAB-Case.pdf. East Pacific Star Bottlers Phils Inc. has further secured from the DENR all permits and clearances for its operations after payment of the fine.*

Impacts and Risks

The Company and its Domestic Operating Subsidiaries recognize that their operations are subject to different environmental laws and regulations. The imposition of a new or more stringent regulation by either the local or national government can likewise lead to additional capital expenditures, operating expenses and potential delays in facility development and construction. Non-compliance to existing and new laws may result in fines and/or sanctions including monetary penalties and possible suspension of operations that may also compromise the reputation of the Company for the inadvertent damage to the environment.

Stakeholders: Local Communities, Regulators, Employees, Investors

Management Approach for Impacts and Risks

All facilities adhere to all applicable environmental laws and regulations to safeguard their operations, including but not limited to the following:

- RA 9275 (Philippine Clean Water Act)
- PD 1067 (Water Code of the Philippines)
- RA 8749 (Philippine Clean Air Act)
- RA 6969 (Toxic Substances and Hazardous and Nuclear Waste Control Act)
- RA 9003 (Ecological Solid Waste Management Act).
- PD 1586 (Establishing an Environmental Impact Statement System, including other environmental management related measures and for other purposes)
- Other applicable DENR Administrative Orders (DAO)

Appropriate committees are in place and pollution control officers are assigned in each of the facilities to ensure strict implementation of all pertinent environmental regulations in every aspect of operations. And in the event that a violation occurs, all necessary actions, measures and policy changes are immediately taken to address the issue. Furthermore, proper investigation is conducted to determine the root cause to prevent any recurrence.

In addition, the Company is working to achieve full ISO 140001: Environmental Management System (EMS) for all its facilities. Currently, only the Mandaue plant has secured certification while the other facilities have just begun their EMS journey.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries are always looking into the improvement of their environmental practices and possibly for new and emerging technologies and methodologies for better operational efficiencies. They will continue to conduct strict monitoring and implementation of pertinent environmental laws and keep themselves updated with any changes and revisions in applicable government regulations.

SOCIAL

Employee Management

<u>Employee Hiring and Benefits</u>

Employee data

Disclosure	2021	2020	Units
Total number of employees	1200	1154	headcount
a. Number of female employees	344	343	headcount
b. Number of male employees	856	811	headcount
Attrition rate	4%	0%	rate
Ratio of lowest paid employee against minimum wage	1.10:1	1.16:1	ratio

Employee Benefits

The Company and its Domestic Operating Subsidiaries provide all benefits mandated by law to employees and do not discriminate based on gender.

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves*	Y	8.79%	6.15%
Vacation leaves**	Y	% Overall Utilization Rate*** = 46.1%	
Sick leaves**	Y	% Overall Utilization Rate*** = 9.4%	

**Maternity, paternity and solo parent leaves are covered in this item.*
***The Company and its Domestic Operating Subsidiaries also offer commutation of leave credits as a benefit for employees.*
****% Overall Utilization Rate = (Total number of availed leave / Total number of entitled leave) x 100%*

Impacts and Risks

The Company and its Domestic Operating Subsidiaries as employers create a positive impact on every employee, including their families, by providing fair compensation, appropriate benefits and a healthy work environment where their careers and personal growth are supported. However, as with any organization, there is always a risk of attrition by employees due to voluntary or involuntary reasons, which could result in some disruption in business operations.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Investors, Customers

Management Approach for Impacts and Risks

The Company and its Domestic Operating Subsidiaries believe in providing a healthy and conducive work environment. Thus, a comprehensive remuneration and benefits package is provided to help retain productive talents and maintain high employee satisfaction. Moreover, periodic reviews are done to ensure that employee recruitment and retention strategies are always aligned with business objectives.

Employees are entitled to benefits such as, but not limited to, leaves, loans and financial programs, personal and group insurance programs, burial assistance for employees and dependents, and medical benefits through HMO coverage consisting of annual physical examinations, physician consultations, diagnostic procedures, and hospitalization. For vacation and sick leaves, the Company and its Domestic Operating Subsidiaries also offer a commutation option to their employees.

The Company manages attritions through (1) various employee engagement and work-life integration programs, (2) specialized training and leadership programs geared towards enhancing employee competence, (3) clear communication channels for employees to voice out their feedbacks and concerns, and (4) a safe and healthy work environment conducive for individual and collective growth.

The SMC Group, along with GSMI and its Domestic Operating Subsidiaries, ensured that all employees continued to receive full compensation and benefits despite the unprecedented circumstances brought by the COVID-19 pandemic. The SMC Group also provided free PPEs, disinfectant alcohol and periodic Polymerase chain reaction (PCR) swab test.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continue to monitor and comply with applicable labor laws as well as adjust and improve their employee compensation packages based on benchmarks with the industry. In light of the current COVID-19 situation, they will continue to provide appropriate support and assistance to all employees.

Diversity and Equal Opportunity

Disclosure	2021	2020	Units
% of female workers in the workforce	29	30	%
% of male workers in the workforce	71	70	%
Number of employees from indigenous communities and/or vulnerable sector*	Not being tracked as of the moment		headcount

**Systems are being put in place for data gathering in subsequent reporting cycles.*

Impacts and Risks

The Company and its Domestic Operating Subsidiaries are equal opportunity employers who promote diversity and inclusion. They recognize that the organization can benefit more from a workforce with diverse backgrounds because it cultivates creativity, innovation and collaboration in achieving business objectives. Employee hiring is based on a clear set of qualifications regardless of age, gender, race or social and economic background.

Possible risks of hiring diverse set of individuals are gaps in communication, acceptance of differences in culture, values and religion, and discrimination.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Investors, Customers

Management Approach for Impacts and Risks

GSMI's Human Resource (HR) Department recognizes the importance of hiring the most suitable employees for specific positions. The recruitment process does not discriminate based on any social, physical or cultural attributes of the candidate. Deliberation and assessment of job fit is based solely on qualifications to perform the role.

Furthermore, employees are treated equally and provided the same opportunities to grow and advance their careers. The Company and its Domestic Operating Subsidiaries do not discriminate but recognize individuals on the basis of performance and results.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continue to evaluate and improve their hiring process and protocols to ensure engagement of a diverse set of competent employees.

Employee Training and Development

Disclosure	2021	2020	Units
Total training hours provided to employees	29,705	20,960	hours
a. Female employees	10,927	9,142	hours
b. Male employees	18,778	11,818	hours
Average training hours provided to employees	24.8	18.2	hours/employee
a. Female employees	31.76	26.65	hours/employee
b. Male employees	21.94	14.57	hours/employee

Impacts and Risks

Competent and highly skilled workers are essential for the continued growth and success of the Company and its Domestic Operating Subsidiaries. Enhancing skill sets of employees improves technical efficiency and increase overall productivity. On the contrary, inadequately trained employees could result in poor customer service, lower organizational productivity, and increased employee attrition. These individuals may also impact the Company's brand and reputation.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Investors, Customers

Management Approach for Impacts and Risks

It is GSMI's policy to provide an environment conducive to the development of employees in order for them to contribute effectively toward the attainment of business objectives as well as their individual career goals. Training programs are classified into formal and informal training.

Formal training includes corporate training programs, functional/technical school programs, and e-learning. The Company has established an in-house technical school that covers topics across multiple disciplines, one of which specifically develops alcohol sensory experts and hone employee skills in liquor-making. From time to time, there are select number of employees enrolled in internationally recognized courses related to distillation, gin and alcohol making, raw material and packaging to constantly expand the technical know-how of its personnel.

On the other hand, informal training includes on-the-job training, developmental or special assignments, that may involve job rotation or transfer under a coaching and mentoring set-up.

To ensure purposive implementation of training programs, immediate superiors conduct a Training Needs Assessment (TNA) to determine the training programs that are relevant to the employee's development. The results of the TNA are documented in the employee's individual development plan.

GSMI sustains the use of virtual learning to ensure the development of its employees while the pandemic continued to persist in 2021. The Company utilizes various platforms to provide effective and purposive training to enhance competencies of its employees. Among the programs conducted were Liquor Technology, Shopper Marketing, Basic Selling Systems and Procedures, Liquor Manufacturing Operations, SAP Plant Maintenance, Equipment Maintenance, Defensive Driving and Motor Vehicle Accident Investigation.

Furthermore, GSMI retained programs that promote employees' well-being, particularly in the area of mental health. Alternative topics and trainings included personal financial wellness and sustainable gardening among others. In the end, GSMI invested an average of 24.8 training hours per employee for the full year.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continue to implement the TNA for regular assessment of needed training relevant to employee development.

Labor-Management Relations

Disclosure	2021	2020	Units
% of employees covered with Collective Bargaining Agreements*	24	24	%
Number of consultations conducted with employees concerning employee-related policies**	1	3	Count

**Based on regular employee count.*
***This only considers the actual number of labor meetings or consultations for Collective Bargaining Agreements held as a group.*

Impacts and Risks

GSMI and its Domestic Operating Subsidiaries respect employee rights to freedom of association and collective bargaining. Good labor-management relations are essential in providing a safe and secure working environment for employees. However, risk related to labor disputes cannot be avoided completely. In such a case, unresolved issues can affect employee productivity, business performance and also reflect unfavorably on the Company's image and reputation.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Investors, Customers

Management Approach for Impacts and Risks

The Company and its Domestic Operating Subsidiaries maintain a peaceful and harmonious labor-management relation with their employees by upholding their right to organize and form labor unions freely.

Furthermore, platforms for grievances are well-established and all applicable labor laws are complied with. The labor management council, composed of representatives from the labor union, provides employees an avenue to express their respective concerns. Meetings are held regularly to address these and to ensure that there is constant engagement.

Other online communication channels were also made available for employees to interact with management and raise their concerns, especially during the series of lockdowns. HR also conducted periodic "Happy Hour Session" to check on employees' situation and to cascade new policies and health protocols.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries are continually looking for ways to build better labor-management relations and enhance employees' overall work experience.

Workplace Conditions, Labor Standards, and Human Rights

<u>Occupational Health and Safety</u>

This section is a material topic to the Company and its Domestic Operating Subsidiaries. However, this information will not be disclosed, instead the relevant management approaches will be discussed in this section.

Impacts and Risks

Employees, especially those working in the manufacturing plants, are exposed to various occupational hazards. These hazards, if not safeguarded and controlled, may cause injuries, fatalities and ill-health that can affect operations. Furthermore, employees may also be exposed to different psychological and emotional stresses in the workplace, which can affect employee productivity and overall wellness.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Local Communities, Customers

Management Approach for Impacts and Risks

Safety of employees is of utmost importance. Therefore, a comprehensive Occupational Safety and Health (OSH) Management System, which adheres to all government regulations, is implemented and strictly enforced in all facilities. This is evident in the training hours dedicated for OSH, which ensured the safety of all employees.

The safety officer assigned in each of the facilities of the Company and its Domestic Operating Subsidiaries monitor and ensure strict compliance of all OSH policies. They conduct regular reviews and audits to identify potential hazards and proactively address all issues immediately. Safety orientations, such as fire and earthquake drills, are held at least twice a year in all facilities and offices. All employees are also required to undergo an 8-hour OSH training, which is conducted by the Company's Safety and Security Officers.

The Company and its Domestic Operating Subsidiaries are committed to improve health services in compliance with Occupational Health mandates, such as adequacy in Occupational Health (OH) personnel, number of treatment rooms, availability of medical supplies and equipment. Medical personnel are assigned in the clinic of each facility, and every employee is required to undergo Annual Physical Examination (APE). To further ensure the well-being of employees, insurance and medical benefits are provided to, or can be availed by, employees.

In addition, a variety of health and wellness programs are made accessible to employees to allow relaxation and decompression. These are designed to ensure that the general well-being of employees is maintained or improved through proper diet, exercise, and stress management. In lieu of the usual social gatherings, HR deployed various learning sessions and implemented activities using online platforms to foster camaraderie and develop stronger bonds among employees, which are likewise considered essential in the workplace.

Ensuring the health and safety of employees inside and outside of the workplace remains the primary objective of the Company and its Domestic Operating Subsidiaries. Necessary health protocols are strictly implemented in all facilities to protect employees and prevent the transmission of the COVID-19 virus. This includes mandatory wearing of PPEs prior entry to any office or facility, daily temperature check, accomplishment of health declaration form, installation of handwashing stations and random RT-PCR tests.

Moreover, to support the country's mission to achieve herd immunity, all employees are encouraged to get their COVID-19 vaccination through the Ligtas Lahat Program or their respective Local Government Units (LGUs). Also, all facilities and offices have been awarded with Safety Seal Certification from the Department of Labor and Employment or their respective LGUs.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continue their efforts to improve occupational health and safety measures, always aiming to prevent any form of incidents and keep injuries to zero. They will also abide by and strictly enforce all health protocols to prevent the spread of the COVID-19 virus and ensure that employees and workplaces are safe.

Labor Laws and Human Rights

Disclosure	2021	2020	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, as cited in the Company Code of Conduct and Ethics. Kindly check the link below:

https://www.ginebrasanmiguel.com/wp-content/uploads/2019/02/Code-of-Conduct-and-Ethics.pdf

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	"Each employee shall comply with, and respect all applicable laws, rules and regulations governing the Company's business, in all jurisdictions where such is concluded."
Child labor	Y	
Human Rights	Y	

Impacts and Risks

Disregard for forced and child labor, and human rights could undermine the reputation of the Company. Any violation of these laws and regulations could lead to sanctions, penalties and legal liabilities. It can also affect employee productivity and disrupt overall operations.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Investors, Customers

Management Approach for Impacts and Risks

GSMI and its Domestic Operating Subsidiaries strictly adhere to the Code of Conduct and Ethics, which states that the Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business. All directors, officers and employees are expected to observe with zeal these core values in the performance of their duties.

Therefore, all applicable laws, rules and regulations on forced labor, child labor and anything that violates human rights, including, but not limited to, sexual harassment, verbal or physical abuse, and discrimination, are strictly implemented. Filed complaints or reported incidents undergo due process to determine validity. Thereafter, appropriate sanctions and corrective actions are applied and administered accordingly.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continue to comply with all applicable labor laws and be vigilant against any violations of labor and human rights within the organization including their business partners.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy.

While the SMC group has its group-wide supplier accreditation policy, it will not be disclosed as it is deemed confidential. The supplier accreditation policy demands that an accredited supplier abide by statutory requirements as well as standards set by the Company and its Domestic Operating Subsidiaries. Each supplier contract includes a clause that ensures adherence to laws that tackle topics such as, but not limited to, to environmental performance, forced labor, child labor, human rights, bribery, and corruption.

GSMI and its Domestic Operating Subsidiaries have a Code of Conduct and Ethics that extends to their suppliers. Kindly check the link below for reference:

https://www.ginebrasanmiguel.com/wp-content/uploads/2019/02/Code-of-Conduct-and-Ethics.pdf

Do you consider the following sustainability topics when accrediting suppliers?

<table>
<tr><th>Topic</th><th>Y/N</th><th>If Yes, cite reference in the supplier policy</th></tr>
<tr><td>Environmental performance</td><td>Y</td><td rowspan="4">“Each employee shall comply with, and respect all applicable laws, rules and regulations governing the Company’s business, in all jurisdictions where such is concluded.”</td></tr>
<tr><td>Forced labor</td><td>Y</td></tr>
<tr><td>Child labor</td><td>Y</td></tr>
<tr><td>Human rights</td><td>Y</td></tr>
<tr><td>Bribery and corruption</td><td>Y</td><td>“Each employee shall comply with, and respect all applicable laws, rules and regulations governing the Company’s business, in all jurisdictions where such is concluded.”

“Each employee shall exercise utmost discretion in accepting personal favors or gifts from persons seeking or doing business with the Company, and refuse to grant personal favors, or decline any gift or benefit, that may compromise the independence of the Company, create a sense of obligation on its part or potentially influence its business judgment.”</td></tr>
</table>

Impacts and Risks

The supply chain covers various aspects of the Company's business operations from raw material sourcing, production, warehousing until product delivery. As these processes and activities are handled by both direct employees and legitimate third-party suppliers and contractors, the Company effectively contributes to economic value generation through employment, purchase of input materials and availment of ancillary services that support operations of the Company and its Domestic Operating Subsidiaries.

An employee's inconsistency, or a supplier's inability, to deliver contractual obligations can result in operational disruptions. Moreover, the Company being associated with suppliers and contractors that do not comply with environmental, labor, and other applicable government regulations could potentially compromise the reputation of brands and the Company.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Investors, Customers

Management Approach for Impacts and Risks

Proper screening and accreditation of suppliers and contractors are performed to guarantee quality and compliance with applicable government laws and regulations. A multi-level evaluation process filters the most appropriate applicants based on the guidelines in the San Miguel Corporation Supplier Accreditation System (SMCSAS). This ensures that the Company and its Domestic Operating Subsidiaries only engage with parties that source their products responsibly to secure the sustainability of the supply chain. The Company also conducts supplier performance evaluation to monitor services and quality of materials are all within the Company's requirements.

Similarly, direct employees are monitored, mentored and provided with various training to ensure consistent performance of their roles. They are also guided by GSMI's core values to deliver results and do their best. A detailed discussion on this topic may be found in the training and development section.

It is also noteworthy to mention that some of the Company's suppliers have implemented various programs to lessen their own carbon footprint, and to contribute to the achievement of the 2030 UNSDG. For raw materials suppliers, initiatives include sustainable sourcing, water conservation, land management and transition towards renewable energy while packaging suppliers are focused on further optimizing input materials and shifting towards the use of recyclable or renewable alternatives.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continue enhancing supplier assessment practices and further integrate other sustainability topics in its accreditation and monitoring process.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified a particular concern for the community	Enhancement measures
GSMI, EPSBPI & DBI	Sta. Barbara, Pangasinan, Cabuyao, Laguna, Cauayan, Isabela, Ligao City, Albay, Mandaue City, Cebu, Bago City, Negros Occidental	Not applicable	No	Local hiring for applicable jobs	Health, Education, and Livelihood Projects Constant engagement with communities
Sales offices	Several locations across the Philippines	Not applicable	No	Local hiring for applicable jobs	Health, Education, and Livelihood Projects

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

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

Certificates	2021	2020	Units
FPIC process which is still undergoing consultations	Not Applicable	Not Applicable	Count
CP secured	Not Applicable	Not Applicable	Count

Impacts and Risks

Although the Company and its Domestic Operating Subsidiaries do not have operations affecting ancestral domains of indigenous people or other vulnerable groups, they recognize the potential direct and indirect impacts on nearby communities. Thus, any untoward incident could disrupt the peaceful co-existence of both parties and possibly compromise the Company's reputation.

Stakeholders: Local Communities, Regulators, Employees

Management Approach for Impacts and Risks

The presence of the Company and its Domestic Operating Subsidiaries is not limited to where their six production facilities are located, it also extends to all communities covered by their distribution network. Thus, having a harmonious and collaborative relationship with the local government and communities where the facilities are situated and the products distributed, are essential to sustaining the business. As such, any potential socio-economic and environmental impacts on, and risks in, areas of operation are monitored and appropriately managed.

Furthermore, this expanded coverage of business operations translates to value creation through direct and indirect creation of jobs, increase in economic activity, and contributions to local business tax, among others, thereby promoting inclusive growth in areas where GSMI products are available.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries will continue to explore other areas where they can assist communities to promote inclusive growth. They will also continue to help communities and the local and national government in fighting COVID-19 and show *Malasakit* beyond the new normal.

Customer Management

Customer Satisfaction

This section is a material topic to the Company and its Domestic Operating Subsidiaries. They deploy various strategies such as Focus Group Discussions (FGDs), market studies to stay updated with customer preferences and keep abreast with the latest trends. However, due to the proprietary nature of this information, the results will not be disclosed, instead the relevant management approaches will be discussed in this section.

Impacts and Risks

The Company places a premium on delivering the best product value to keep a high level of customer satisfaction. The key attributes that affect customer satisfaction are quality, affordability, product safety and availability. Low customer satisfaction may result in a decline in sales and brand preference, negatively affecting business performance and financial position.

Stakeholders: Customers, Employees, Suppliers, Business Partners, Regulators

Management Approach for Impacts and Risks

All products of GSMI undergo stringent quality assurance protocols to consistently produce high quality products. Through continuous process and product innovation, the existing formulation is improved and the product portfolio is updated based on evolving consumer preference. Because of this, GSMI brands have remained relevant, earning continued patronage.

The Company performs various market researches and surveys to ensure that customer satisfaction is kept high and marketing campaigns effective. The insights from these researches and surveys serve as inputs to improving existing products and in addressing prevailing customer concerns. Similarly, the findings from these researches are used to develop new products based on emerging trends. GSMI Customer Care contact number and email address are available for any inquiries, feedback or suggestion on products and services.

Opportunities and Management Approach

GSMI will continuously pursue product innovation, process improvements and expand availability to further enhance overall customer satisfaction. Moreover, the Company will continue to develop and create products that meet the constantly changing preferences of the consumer.

Health and Safety

This section is a material topic to the Company and its Domestic Operating Subsidiaries. However, the specific numbers will not be disclosed, instead the relevant management approaches will be discussed in this section.

Impacts and Risks

The Company is committed in assuring the safe consumption of all its products. However, it recognizes that perception on product quality may be affected even by unverified information pertaining to contamination, human error and improper handling among others. This may result in product complaints, reputational damage to brands and reduction in sales. On the other hand, zero or minimal complaints will result in continued customer trust and patronage.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Local Communities, Customers

Management Approach for Impacts and Risks

GSMI has established its reputation as a company that manufactures high-quality liquor products. It adheres to all applicable statutes and government regulations and possesses all required permits and licenses to operate its facilities. All raw materials and packaging materials conform to quality standards and specifications prescribed by the Company and regulators. Moreover, a standardized production process and multi-point quality assurance checks ensure product quality that is consistent and always safe for human consumption.

The Company and its Domestic Operating Subsidiaries have achieved numerous certifications that validate the quality of the processes and products such as:

- International Organization for Standardization (ISO),
- Good Manufacturing Practices (GMP)
- Hazard Analysis and Critical Control Points (HACCP) Accreditation

In addition, other facilities are currently working on their ISO 14001:2015 certification or the "Environmental Management System" to further improve implementation of environmental practices. Correspondingly, this will contribute to the preservation and protection of the environment even beyond corporate boundaries.

The Company and its Domestic Operating Subsidiaries are working towards obtaining other certifications to fully implement an Integrated Management System (IMS) that guarantee product and service quality, productivity, profitability and sustainability. Details of the IMS Policy is published in GSMI's official website via this link:

https://www.ginebrasanmiguel.com/integrated-management-system-policy/

As for, handling reported product defects, a formal investigation is immediately launched and representatives from the Company quickly reach out to the complainant. The submitted or collected samples are subjected to various physico-chemical and sensory analysis. Furthermore, comprehensive product traceability, root-cause analysis and simulations are likewise carried out to definitively determine the validity of the claimed defect. Trade checks and product recalls are done as necessary based on the results of evaluation.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries consistently seek to improve by upgrading qualifications and adopting world-class standards of operations and business processes. Management continues to support initiatives to acquire certifications with respect to the quality and safety of the products.

Marketing and Labelling

This section is a material topic to the Company. However, this will not be disclosed due to the propriety nature of this information, instead the relevant management approaches will be discussed in this section.

Impacts and Risks

GSMI takes particular care to not misrepresent itself or its products to its customers and other stakeholders. Therefore, the Company complies with the standards set by regulating bodies in all its marketing and advertising campaigns. As with similar products, any form of substance abuse or over-consumption of such product by an irresponsible individual can lead to temporary loss of sobriety and may cause possible health issues in the future.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Local Communities, Customers

Management Approach for Impacts and Risks

GSMI seeks to protect consumers from these risks so steps are taken to ensure that products are consumed in a responsible manner. The Company adheres to the regulations set by the Ad Standards Council (ASC), ensuring that all relevant advertising and promotional materials are endorsed and approved prior to release. The prescribed “Drink Responsibly” statement appears in all TV, radio, digital commercials and other applicable advertising and promotional materials.

In addition, product labels abide to all regulations issued by government agencies, such as the Philippine Food and Drug Administration (FDA) and the Department of Trade and Industry (DTI).

Opportunities and Management Approach

GSMI is constantly exploring ways to further promote responsible drinking, especially in the marketing of its product.

Customer privacy

Disclosure	2021	2020	Units
No. of substantiated complaints on customer privacy	0	0	Count
No. of complaints addressed	0	0	Count
No. of customers, users and account holders whose information is used for secondary purposes	0	0	Count

Impacts and Risks

GSMI respects and upholds data privacy rights and ensures that all personal data collected, including those from or about the 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 (NPC) [collectively, the "Privacy Laws"]. The Company ensures that the Privacy Laws are complied with.

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

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Local Communities, Customers.

Management Approach for Impacts and Risks

To ensure strict implementation of the Privacy Laws, the Company has adopted a Personal Data Privacy Policy ("Privacy Policy"), which was approved by its Board of Directors on May 25, 2017. Pursuant thereto, the Company also appointed a Data Protection Officer (DPO) who is responsible for ensuring the Company's compliance with applicable laws and regulations for the protection of data privacy and security. The Company has implemented programs to ensure compliance with the Privacy Laws and Privacy Policy, including, but not limited to, the following:

- Engagement of KPMG Philippines, a third-party auditing firm, to conduct privacy impact assessments for the data processing systems/data processes of the Company and relevant subsidiaries;

- Implementation of organizational, physical and technical security measures to safeguard personal information;
- Data privacy awareness activities through the holding of data privacy training, awareness caravan, and orientation for employees;
- Revision of Company identification cards and other forms to contain only relevant personal information;
- Inclusion of privacy statements and notices in the Company's official website, brand websites, relevant corporate documents (employment application forms, visitor registration, CCTV placements in plants, dealership application and related documents, etc.) and promo or advertising materials/activities (Ginebra Live! Non-Stop Saya, Bagong Tapang, Bagong Pag-Asa sa One Ginebra Nation Raffle Promo, Kusog Kulafu Instant Pangkabuhayan Promo, GSMI Calendar and Jersey Promo Launch etc.); and
- Inclusion of data privacy provision in contracts, as may be applicable;

Opportunities and Management Approach

GSMI 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.

<u>Data Security</u>

Disclosure	2021	2020	Units
No. of data breaches, including leaks, thefts and losses of data	0	0	Count

Impacts and Risks

GSMI 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 Company, and disruption in business operations.

Stakeholders: Employees, Suppliers, Business Partners, Regulators, Local Communities, Customers

Management Approach for Impacts and Risks

The Company and its Domestic Operating Subsidiaries are guided by SMC's corporate policies on information security, which state that they should protect the confidentiality, integrity, availability, and legality of SMC's electronic data and their information technology and communications assets. This includes equipment and network systems that stores and/or transports data.

The policy focuses 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 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 line of work.

In addition, the Company 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 DPO for verification and investigation. All security incidents and personal data breaches shall be documented through written reports. In the case of personal data breaches, a report shall include the facts surrounding an incident, the effects of such incident, and the remedial actions taken by the Company.

More details about personal data security can be found in the Personal Data Privacy Policy of GSMI, which may be accessed through the link below:

https://www.ginebrasanmiguel.com/wp-content/uploads/2019/02/Personal-Data-Privacy-Policy.pdf

Opportunities and Management Approach

There is always an opportunity to improve the strength and security of Company databases and security systems through adaptation of new software and encryption of computers and servers. These are constantly being pursued by the Information Technology (IT) department, guided by SMC's Corporate IT group.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Alcoholic beverages	N/A	Alcohol abuse	GSMI puts considerable efforts on responsible drinking through its advertising materials. The Company also abides by all applicable laws and regulations on alcohol drinking.
Disinfectant Alcohol	**3.3/3.9** – In 2020, as a response to the COVID-19 global pandemic, GSMI reconfigured their liquor manufacturing plants to produce disinfectant ethyl alcohol. To ensure the public steady supply of quality rubbing alcohol, this was later launched for commercial selling and San Miguel Ethyl Alcohol was added to GSMI's product portfolio.	N/A	N/A

Secondary Contributions

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Use of recyclable packaging	**12.2/12.5** - Products use glass bottles as packaging and also collect these to be re-used in production.	The practice of recycling and use of glass cullets in the manufacture of new packaging materials keep the negative impacts of repeatedly sourcing raw materials to a minimum.	See Impacts and Risks and Management Approach on Materials for details.
Employment	**8.3, 8.5** - GSMI is an equal opportunity employer, and continues to provide decent jobs to Filipinos, not to mention the suppliers, contractors, dealers and wholesalers in its value chain.	While the labor management relationship is collaborative and harmonious, there is still a risk of attrition, though minimal, due to personal preferences.	The Company has policies and safeguards in place to ensure decent work is provided, as discussed in the Employee Management, Labor-Management Relations, and Workplace Conditions section of this report.
Education	**4.4** - GSMI, in partnership with Technical Education and Skills Development Authority (TESDA), provides training on bartending and basic business skills. The program, Ginebra San Miguel Technopreneur Program, renewed its partnership with TESDA and created Ginebra San Miguel Bar Academy which aims to expand the	Alcohol Abuse	Responsible drinking is integrated in the syllabus of GSMI scholars' TESDA training.

	number of scholars. In 2021, there were 21 graduates of the said program.		