

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
Dec 31, 2023
2. SEC Identification Number
142312
3. BIR Tax Identification No.
000-083-856-000
4. Exact name of issuer as specified in its charter
GINEBRA SAN MIGUEL INC.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center,
Mandaluyong City
Postal Code
1550
8. Issuer's telephone number, including area code
(+632) 8841-5100
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON STOCK	286,327,841

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

Yes No

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

The Philippine Stock Exchange, Inc. - Common Shares

12. Check whether the issuer:

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

Yes No

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

Yes No

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

as of December 31, 2023 & March 31, 2024 were at 11,629,392,026.70 & 11,443,100,606.00, respectively

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

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

Yes No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

None

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

None

(c) Any prospectus filed pursuant to SRC Rule 8.1

None

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Ginebra San Miguel, Inc.
GSMI

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

For the fiscal year ended	Dec 31, 2023
Currency	Php (in thousands)

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2023	Dec 31, 2022
Current Assets	20,359,399	14,565,515
Total Assets	27,767,805	21,612,113
Current Liabilities	8,456,000	6,458,542
Total Liabilities	9,367,493	7,170,068
Retained Earnings/(Deficit)	19,771,818	15,589,230
Stockholders' Equity	18,400,312	14,442,045
Stockholders' Equity - Parent	17,580,398	13,679,286
Book Value Per Share	64.26	50.44

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2023	Dec 31, 2022
Gross Revenue	53,638,569	47,340,746
Gross Expense	46,803,761	41,354,182
Non-Operating Income	2,591,120	130,537
Non-Operating Expense	61,041	58,850
Income/(Loss) Before Tax	9,364,887	6,058,251
Income Tax Expense	2,319,020	1,511,029
Net Income/(Loss) After Tax	7,045,867	4,547,222
Net Income/(Loss) Attributable to Parent Equity Holder	6,974,497	4,447,847
Earnings/(Loss) Per Share (Basic)	24.61	15.88
Earnings/(Loss) Per Share (Diluted)	24.61	15.88

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2023	Dec 31, 2022

Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	2.41	2.26
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	1.36	1.04
Solvency Ratio	Total Assets / Total Liabilities	2.96	3.01
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.34	0.33
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.51	0.5
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	119.78	113.84
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.51	1.5
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.24	0.24
Net Profit Margin	Net Profit / Sales	0.11	0.1
Return on Assets	Net Income / Total Assets	0.21	0.21
Return on Equity	Net Income / Total Stockholders' Equity	0.36	0.31
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	6.85	6.61

Other Relevant Information

Please see attached SEC Form 17-A together with the audited Consolidated Financial Statements and the Sustainability Report (collectively, the "Report") of Ginebra San Miguel Inc. ("GSMI"), which we filed with the Securities and Exchange Commission ("SEC") today, April 12, 2024, through email. The audited Consolidated Financial Statements was likewise filed today via SEC eFAST.

In addition, GSMI also filed today, April 12, 2024 its audited Separate/Parent Financial Statements with the SEC eFAST. A copy of which is hereto attached.

Filed on behalf by:

Name	Francis Joseph Cruz
Designation	General Counsel and Assistant Corporate Secretary

COVER SHEET

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S. E. C. Registration Number

G	I	N	E	B	R	A													
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I	N	C	.																

(Company's Full Name)

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M	A	N	D	A	L	U	Y	O	N	G		C	I	T	Y				

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

<div style="border: 1px solid black; padding: 2px; display: inline-block;">FRANCIS JOSEPH A. CRUZ</div> Contact Person	<div style="border: 1px solid black; padding: 2px; display: inline-block;">8841-5100</div> Company Telephone Number
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Annual Meeting

Secondary License Type, If Applicable

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<div style="border: 1px solid black; padding: 2px; display: inline-block; width: 100px; height: 15px;"> </div> Total No. of Stockholders	Total Amount of Borrowings	
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To be accomplished by SEC Personnel concerned

File Number

_____ LCU

Document I. D.

_____ Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

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, 2023 and March 31, 2024 were at 11,629,392,026.70 and 11,443,100,606.00, 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 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 co-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 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 to fulfill 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 liquid 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, GSM Blue and Vino Kulafu, the leading brands in the gin and Chinese wine categories, accounted for 99% of the Group’s total revenues. The other products that complete the liquor business of the Group comprise about 1% 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-two (92) dealer sites who are responsible for distributing and selling the Company’s products within a geographical area consisting of specified outlets and fifteen (15) sales offices as of year-end 2023. For areas where there are no appointed dealers, the Company’s sales offices directly serve the

wholesalers or retailers. 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-party service providers to handle warehouse management and delivery to various destination points as the need arises.

Status of any publicly-announced new products

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

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

Competition

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

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

These major players compete in their development of brand equity, as the industry's consumers generally develop affinity and loyalty to the brands that they patronize. 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 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. This led to GSMI's multi-continent sourcing and diversification of alcohol supply to ensure supply security and partly offset higher raw material costs.

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-two (92) dealer sites, fifteen (15) 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 (majority in Negros), Indonesia, India, and Thailand 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 local alcohol requirement from DBI. Of its total alcohol usage in 2023, 38% 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 2023, the Company purchased ingredients mainly from the following suppliers: Firmenich Asia PTE LTD, Symrise Asia Pacific PTE LTD, Givaudan Singapore PTE LTD, and PT Mane Indonesia.

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 65% of total bottles used in 2023.

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 co-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 27 of the 2023 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 Ginebra San Miguel, Vino Kulafu, Primera Light Brandy, 1834 Premium Distilled Gin, G&T Ultralight and San Miguel Ethyl Alcohol, including their label designs, as well as the trademarks of products that are planned to be released in 2024. 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, and Antonov Vodka 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, "Ngiting Ginebra", "Iba ang Ngiti Ngayon sa One Ginebra Nation", "Ka-Mommyhan", and "Ginebra Tayo" 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 Albania, Bulgaria, Canada, China, Hong Kong, Hungary, India, Italy, Kuwait, Malaysia, Monaco, New Zealand, Singapore, South Korea, Spain, Sri Lanka, Taiwan, Thailand, United States of America, and Vietnam.

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 2024, 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 and for export 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 of 1976, The Philippine Clean Air Act of 1999, Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, Ecological Solid Waste Management Act of 2000, and Extended Producers Responsibility Act of 2022, including their implementing rules and regulations, 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 applicable provisions under the National Internal Revenue Code of 1997 (“NIRC”), as amended, primarily on income tax and value added tax. In addition, the Group is subject to local taxes and/or fees based on the prevailing revenue ordinances in the areas where the Group 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 subject to duties, taxes and other charges, as provided under Philippine customs and tariff laws, mainly Republic Act No. 10863, and implementing rules and regulations issued by the Bureau of Customs (BOC).

GSMI products, given its nature as alcohol beverages, are specifically subject to excise tax on distilled spirits as provided under the NIRC and its implementing rules, regulations, circulars and orders issued by the Bureau of Revenue (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 P50.3, P48.3 million, and P43.4 million 2023, 2022, and 2021, 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 66.0 million, P 44 million, and P 21.0 million in 2023, 2022, and 2021 respectively, in order to implement the following initiatives:

- Emission quality improvement by performing regular emission testing and ambient air quality monitoring; boiler, generator and air pollution control devices preventive maintenance, recalibration and repairs; and periodic cleaning of smokestacks;
- Wastewater effluent quality improvement by conducting intensive water quality monitoring through DENR recognized third-party laboratories and in-house QA laboratories; optimizing processes to reduce water usage and discharge; and performing repairs, maintenance and further improvement of wastewater treatment facilities and discharge pipelines;
- Solid wastes management by implementing information and education campaigns on solid waste management and waste minimization; mandating segregation at source practices; and upgrading and maintaining composting, garbage collection with garbage compactors, and material recovery facilities;
- Reduction of the company's packaging footprint through the redesign of its packaging materials which decreases plastics and paper waste generation throughout the products' lifecycle;
- Recovery of at least 20% of the company's plastic footprint through offsetting with plastic credits from plastic waste diverters. Plastic credits were obtained from the recycling of rigid plastic wastes and diversion of flexible plastic wastes thru cement co-processing, thus effectively avoiding plastic wastes from leaking into the environment; and
- Improvement of the quality of environment by planting trees and cleaning rivers and coastlines, which benefited both the operations of the company 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 2.2 million, P 3.6 million, and P 2.0 million in 2023, 2022, and 2021, respectively. Modification of existing bottle washers and installation of water recovery equipment and pipelines that promote recycling of used water within the process were prioritized by the company in 2023. These efforts have resulted to 39.85% reduction in scarce non-product water usage in manufacturing plants aligned with the conglomerate's goal of achieving 50% water reduction by year 2025.

Human Resources and Labor Matters

As of December 31, 2023, GSMI has a total of nine hundred seventy-four (974) regular employees, DBI has a total of one hundred fifty-six (156) and EPSBPI has a total of one hundred twenty-eight (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 2024.

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	410	17	9	436	564	139	119	822	1,258
Under CBA	0	0	0	0	229	93	0	322	322
Non-CBA	410	17	9	436	335	46	119	500	936

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, 2023 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, 2024	The Union is composed of twenty-six (26) members. The three (3)-year CBA for Economic provision covers the period from January 1, 2022 to December 31, 2024.
GSMI – Cabuyao Plant (Dailies)	United Independent Union of GSMI Cabuyao Plant	December 31, 2023	The Union is composed of ninety-six (96) members. CBA negotiation for Economic provision covering January 1, 2024 to December 31, 2026 has been concluded last December 21, 2023.
GSMI - Sta. Barbara Plant (Monthlies)	La Tondeña Distillers, Inc. Workers Union – Sta. Barbara Plant (LATODIWU) Monthly Paid Independent Union	December 31, 2025	The Union is composed of twenty (20) members. The three (3)-year CBA for Economic provision covers the period from January 1, 2023 to December 31, 2025.
GSMI - Sta. Barbara Plant (Dailies)	GSMI Sta. Barbara Plant Daily-paid Workers Independent Union	December 31, 2025	The Union is composed of eighty-seven (87) members. The three (3)-year CBA for Economic provision covers the period from January 1, 2023 to December 31, 2025.
DBI Plant (Monthlies)	(CIO - DBEU) - Congress of Independent Organizations Distileria Bago Employees Union	December 31, 2025	The Union is composed of ninety-three (93) members. The three (3)-year CBA for Economic provision covers the period from January 1, 2023 to December 31, 2025.

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 29 of the 2023 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 equity building of its brands, 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 molasses and alcohol requirements the local supply cannot meet.

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 31 of the 2023 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 Case No. 11052
CTA Third Division

This case is a judicial claim for refund of alleged deficiency taxes paid under protest by GSMI in connection with its removals of alcohol products for the period covering 23 January 2020 to 9 February 2020, in the aggregate amount of Sixty-Six Million Three Hundred Seventy Thousand One Hundred Twenty-Five and 28/100 Pesos (Php 66,370,125.28).

On 22 July 2020, GSMI received a Notice of Discrepancy dated 6 July 2020 issued by the BIR (the "Original NOD"), which enjoined GSMI to pay alleged deficiency excise taxes in the amount of Php39,578,563.97, inclusive of interests, for the period covering 27 January 2020 to 9 February 2020.

On 6 August 2020, GSMI submitted to the BIR its Letter-Reply to the Original NOD, where it emphasized that it is not liable to pay the alleged deficiency excise tax liability, and thus, requested its cancellation and withdrawal.

On 13 October 2020, GSMI received from the BIR a Letter dated 18 September 2020 with an attached Amended Notice of Discrepancy, which modified the amount of the alleged deficiency excise tax liability to Php71,710,429.11, inclusive of interests, for the period covering 23 January 2020 to 9 February 2020.

On 28 October 2020, GSMI submitted to the BIR its Letter-Reply to the Amended NOD, where it reiterated its position that it is not liable for the alleged deficiency excise taxes.

On 11 November 2020, GSMI received from the BIR a Letter dated 6 November 2020 which reiterated the finding of alleged deficiency excise tax under the Amended NOD.

On 29 December 2020, GSMI paid under protest the amount of Php66,370,125.28, representing the deficiency excise tax portion under the Amended NOD, through the BIR Electronic Filing and Payment System (eFPS).

On 8 January 2021, GSMI submitted to the BIR a Letter-Reply to the BIR's Letter dated 6 November 2020. GSMI reiterated its position that it is not liable for the alleged deficiency excise tax liability under the Amended NOD and informed the BIR that it paid under protest the amount of Php66,370,125.28 through eFPS on 29 December 2020. In the same Letter-Reply, GSMI explained that with respect to the assessed penalties from the alleged late payment of the deficiency excise tax, it would avail the remedies available under Revenue Regulations No. 13-2001, as amended.

On 16 July 2021, GSMI received a copy of Letter of Authority (LOA) No. LOA-121-2021-00000109 dated 1 July 2021 issued by the BIR, authorizing its revenue officers to examine GSMI's

books of accounts and other accounting records for all internal revenue taxes except for value-added tax for TY 2020.

On 3 August 2021, GSMI filed with the CIR an administrative claim for refund of the erroneously or illegally collected deficiency excise tax for the period covering 23 January 2020 to 9 February 2020, in the amount of Php66,370,125.28, which GSMI paid under protest on 29 December 2020.

On 7 March 2022, the BIR issued a letter notifying GSMI on the transmittal of the entire docket to CIR's Legal Service Division for its resolution and issuance of a clarificatory ruling on the administrative claim for refund.

Prior to the expiry of the two-year statutory period to file judicial action for the recovery of erroneously or illegally collected internal revenue taxes, GSMI filed a Petition for Review with the CTA on 28 December 2022 pursuant to Section 204(C) and 229, Tax Code, and Section 3(a), Rule 8, Revised Rules of the Court of Tax Appeals (RRCTA) in order to preserve its right to claim by judicial action its claims for refund of its erroneously or illegally collected deficiency excise taxes, in connection with its removals of alcohol products for the period covering 23 January 2020 to 9 February 2020.

The case was docketed as CTA Case No. 11052, and was raffled to the CTA's First Division. In a Resolution dated 29 May 2023, the CTA First Division ordered the transfer of the case to the CTA Third Division.

Upon service of Summons to the CIR and the filing of the CIR's Answer dated 24 March 2023, pre-trial conference was held on 26 July 2023. Pursuant to the CTA's Order, the parties filed their *Joint Stipulation of Facts and Issues* on 29 August 2023. Pre-trial was terminated upon the issuance of the CTA's *Pre-Trial Order* on 5 September 2023.

GSMI presented its lone witness during the hearing on October 4, 2023. At the same hearing, the CTA ordered GSMI to file its Formal Offer of *Evidence* (FOE) within 10 days therefrom, or not later than October 13, 2023.

GSMI filed its FOE on 13 October 2023. Respondent CIR filed his Comment with Manifestation on GSMI's FOE on 17 November 2023. Respondent CIR's counsel manifested that they will no longer present testimonial evidence since there was no report of the investigation on GSMI's refund claim forwarded to their office.

On 25 January 2024, GSMI received the CTA's Resolution dated 23 January 2024, which admitted its *Exhibits "P-1" to "P-17" and "P-19" to "P-21"*, inclusive of sub-markings. Moreover, the CTA's Resolution noted the manifestation of Respondent CIR that he will no longer present evidence, constraining the CTA to direct the parties to submit their respective memorandum within thirty (30) days from receipt of the Resolution.

GSMI filed its Memorandum on 23 February 2024. The case is now submitted for resolution.

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

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
SC G.R. No. 271363
CTA En Banc Case No. 2544 and 2555 (Consolidated)
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. and the same was docketed as CTA E.B. No. 2544.

On 28 March 2022, the CTA En Banc ordered the Parties to file their respective Comments/Oppositions to the Petitions for Review. On 7 April 2022, GSMI filed a Motion for Extension of Time To File Comment on the Petition for Review in CTA EB No. 2544.

On 21 April 2022, GSMI filed its Comment on the Petition for Review in CTA EB No. 2544. On May 30, 2022, the Court En Banc promulgated a Resolution which denied GSMI's Motion for Extension and submitted the Petitions for Review for decision. On 13 June 2022, GSMI filed its Motion for Reconsideration assailing the said Resolution.

On 4 October 2022, the CTA En Banc promulgated a Resolution which set aside the May 30, 2022 Resolution insofar as the Petitions for Review were submitted for decision. The Resolution likewise directed the CIR to file a Comment to GSMI's Motion for Reconsideration, to which the CIR failed despite due notice.

On 18 January 2023, the CTA En Banc granted GSMI's Motion for Extension of Time to File Comment on the Petition for Review in CTA E.B. No. 2544 and admitted GSMI's Comment as part of the records of the case.

In a Decision dated 18 January 2024 received by GSMI on 23 January 2024, the CTA En Banc denied both the Petitions for Review of GSMI and the CIR, and affirmed the Amended Decision of the CTA Third Division dated 28 October 2021 awarding GSMI a partial refund of Php319,755,320.82 only.

GSMI had fifteen (15) days from 23 January 2024, or until 7 February 2024, within which to file a Petition for Review on Certiorari with the Supreme Court. On 30 January 2024, GSMI filed a Motion for Extension of Time to File Petition for Review on Certiorari, praying for an extension of thirty (30) days from 7 February 2024, or until 8 March 2024 within which to file a Petition for Review on Certiorari.

On 4 March 2024, GSMI filed with the Supreme Court a Petition for Review on Certiorari dated 1 March 2024, and the same was docketed as SC G.R. No. 271363.

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 10 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. 257839.

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 (IPOP HL). The IPOP HL 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 IPOP HL'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.

On 9 August 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. No. 196372, GSMI's Petition for Review was granted. The Director of the Bureau of Trademarks was directed to reinstate GSMI's trademark application for "GINEBRA", cause its publication and give it due course.

On 17 April 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated 9 August 2022. On 29 August 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

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 IPOP HL 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.

On 9 August 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. Nos. 210224 and 219632, TDI's Petitions for Review were denied, with modification, such that TDI shall pay GSMI temperate damages of Php 300,000.00 and attorney's fees of Php 200,000.00; other awards of damages against TDI are deleted.

On 17 April 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated 9 August 2022. On 29 August 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

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 IPOP HL.

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 IPOP HL 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 IPOP HL'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 IPOP HL 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.

On 9 August 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For, G.R. No. 216104, TDI's Petition for Review for the rejection of TDI's trademark application for "GINEBRA KAPITAN" was denied.

On 17 April 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated 9 August 2022. On 29 August 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

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 GSML.

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 GSML. 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.

As there was no appeal filed by Josefina to the Court of Appeals, the Decision of the SEC En Banc is already considered as final.

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:

Quarter	2024		2023		2022	
	High	Low	High	Low	High	Low
1 st	178.00	155.60	183.90	103.60	126.00	105.00
2 nd	-	-	163.80	140.10	112.00	98.00
3 rd	-	-	170.00	149.80	108.10	96.00
4 th	-	-	171.40	153.00	108.90	98.00

The closing price of the Company’s common shares as of March 31, 2024 the latest practicable date, is P166.00 per share.

The approximate number of shareholders of common shares as of December 31, 2023 is 618.

The top 20 stockholders, as of December 31, 2023, 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)	43,232,002	0	43,232,002	15.1%
3	PCD Nominee Corporation (Non-Filipino)	24,068,095	0	24,068,095	8.41%
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	Monina N. Cortez	30,000	0	30,000	0.01%
10	Lucia C. Unsay	30,000	0	30,000	0.01%
11	FMF Development Corporation	30,000	0	30,000	0.01%
12	Cynthia M. Baroy	30,000	0	30,000	0.01%
13	Estrella M. Tamayo	30,000	0	30,000	0.01%
14	Edan Corporation	26,100	0	26,100	0.01%
15	Rolando B. Bisana	25,000	0	25,000	0.01%
16	Sysmart Corporation	24,702	0	24,702	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	Angela B. Marzona	20,000	0	20,000	0.01%

As of December 31, 2023, as reflected in the Public Ownership Report filed with the PSE, the Company’s public float or public ownership percentage is 24.08%, 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."

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

2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common-regular	March 8, 2023	March 24, 2023	April 12, 2023	P0.750
	May 9, 2023	May 24, 2023	June 7, 2023	0.750
	August 2, 2023	August 16, 2023	September 1, 2023	0.750
	November 8, 2023	November 22, 2023	December 7, 2023	0.750
Common-special	March 8, 2023	March 24, 2023	April 12, 2023	1.750
	May 9, 2023	May 24, 2023	June 7, 2023	1.750
	August 2, 2023	August 16, 2023	September 1, 2023	1.750
	November 8, 2023	November 22, 2023	December 7, 2023	1.750

2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common-regular	March 9, 2022	March 25, 2022	April 8, 2022	P0.375
	April 27, 2022	May 18, 2022	June 3, 2022	0.375
	August 3, 2022	August 19, 2022	September 2, 2022	0.375
	November 9, 2022	November 24, 2022	December 9, 2022	0.375
Common-special	March 9, 2022	March 25, 2022	April 8, 2022	1.000
	April 27, 2022	May 18, 2022	June 3, 2022	1.000
	August 3, 2022	August 19, 2022	September 2, 2022	1.000
	November 9, 2022	November 24, 2022	December 9, 2022	1.000

2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	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
Preferred	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

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 conformably with the Enabling Resolution of the Board pursuant to the authority granted to it under the Company's Articles of Incorporation. On January 4, 2021, cash dividends paid on pro-rated basis amounted to P0.5 million.

Description of the following securities of the Company may be found in the indicated Notes to the 2023 Audited Consolidated Financial Statements, attached herein as **Annex "D"**:

Equity Note 19

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 2023 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 "68-J-1" to "68-J-7"** 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 (Part 1,4 (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 2023 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 25, 2023. 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 P8.8 million, P8.2 million and P7.4 million in 2023, 2022 and 2021, 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 2023 members of the Board were elected during the Regular Stockholders' Meeting held on May 25, 2023.

The names, age, gender, citizenship and position of the directors and senior executive officers of the Company as of December 31, 2023 are shown in the table below:

Name	Age	Gender	Citizenship	Type/Position
Directors:				
Ramon S. Ang	70	Male	Filipino	President
Leo S. Alvez	81	Male	Filipino	Director
Gabriel S. Claudio	69	Male	Filipino	Director
Francisco S. Alejo III	75	Male	Filipino	Director
Aurora T. Calderon	69	Female	Filipino	Director
Francis H. Jardeleza	74	Male	Filipino	Director
Ana Leah V. Rodriguez	45	Female	Filipino	Director
Martin S. Villarama, Jr.	78	Male	Filipino	Independent Director
Aurora S. Lagman	85	Female	Filipino	Independent Director
Officers:				
Virgilio S. Jacinto	67	Male	Filipino	Corporate Secretary and Compliance Officer
Emmanuel B. Macalalag	58	Male	Filipino	General Manager
Cynthia M. Baroy	60	Female	Filipino	Chief Finance Officer/Treasurer
Allan P. Mercado	58	Male	Filipino	National Sales and 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.

Directors:

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, 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 San Miguel Global Power Holdings, Corp.; Chairman, Chief Executive Officer and President of SMC TPLEX Corporation, Chairman and President of Integrated Geosolutions Inc., San Miguel Beverages, Inc., San Miguel Properties, Inc., Malita Power Inc., San Miguel Infrastructure Corporation, San Miguel Holdings Corp. and San Miguel Aerocity Inc.; 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), Magnolia Inc., San Miguel Foods, Inc., The Pure Foods Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, SMC Tollways 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 Indonesia. 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 Executive 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, SMC Tollways Corporation, San Miguel Infrastructure Corporation and Trans Aire Development Holdings Corp; Chairman and President 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.; Independent Director of 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 formerly a Director of the Philippine Amusement and Gaming Corporation, 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.

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 and a Member of the Philippine Judicial Academy. 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.

Ana Leah V. Rodriguez is a Director of the Company since May 26, 2022 and is a member of the Corporate Governance Committee. She is currently the Head of Out of Home Business of San Miguel Holdings Corporation and the Channel Marketing and Standards Manager of the Company. She was previously the Head of Marketing and Ancillary Sales for Philippine Airlines, Inc. She also held the following positions in Shangri-La Hotels and Resorts: Assistant Director of Sales and Senior Business Development Manager in Shangri-La Hotel, Dubai and Room Sales Manager in Makati Shangri-La, Manila. She obtained her Bachelor of Science in Hotel and Restaurant Administration at University of the Philippines, Diliman and has attended various trainings and seminars which include among others, the training on Developing the GM Mindset, the Seven Habits of Highly Effective People, San Miguel Corporation -Leadership and Management Development Program (Batch 20) at the Ateneo Graduate School of Business-Center for Continuing Education and Corporate Governance Seminars held in October and November 2022.

Aurora S. Lagman is an Independent Director of the Company since March 15, 2017 and is the Lead Independent Director, Chairperson of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee of the Company. She is also an Independent Director of San Miguel Food and Beverage, Inc., a company listed with the PSE. She is a part-time faculty member of the College of Law, Bulacan State University (currently on leave), a faculty member of Manuel L. Quezon University, 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.

Martin S. Villarama, Jr., is an Independent Director of the Company since March 9, 2022 and is the Chairperson of the Company's Audit and Risk Oversight Committee and member of the

Company's Executive Compensation Committee and Corporate Governance Committee. He currently serves as an Independent Director for the following Companies: SMC Tollways Corporation; SMC SLEX Inc.; and Eagle Cement Corporation. He is also a Court Appointed Liquidator for Uniwide Group of Companies and a Member of the Board of Advisors of San Miguel Brewery Hongkong Ltd. He was previously an Associate Justice, Supreme Court, a Justice of the Court of Appeals, and a Judge at the Regional Trial Court-Pasig City. He obtained his degree in Bachelor of Science in Business Administration at the De La Salle University and his Bachelor of Laws degree at the Manuel L. Quezon University. He has attended various seminars and programs including the 36th Program on Instruction for Lawyers conducted by the Harvard Law School's Faculty at Cambridge, Massachusetts, U. S.A.

Officers:

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 Senior 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 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 the National 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.

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 2023 are Aurora S. Lagman and Martin S. Villarama, Jr.

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, 2023, 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 ¹	2024 (estimated)	P47.7	P14.3	P12.2	P74.2
	2023	P46.8	P20.5	P11.5	P78.8
	2022	P41.4	P20.6	P10.5	P72.5
All other officers and directors as a group unnamed	2024 (estimated)	P34.5	P10.4	P10.4	P55.3
	2023	P36.4	P16.7	P10.8	P63.9
	2022	P34.9	P17.0	P11.2	P63.1
TOTAL	2024 (estimated)	P82.2	P24.7	P22.6	P129.5
	2023	P83.2	P37.2	P22.3	P142.7
	2022	P76.3	P37.6	P21.7	P135.6

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 2023, each director received a per diem of Ten Thousand Pesos (P10,000.00), during the March and May meetings, and a per diem of Twenty Thousand Pesos (P20,000.00) during the August and November meetings, per attendance at Board and Board Committee meetings of the Company. There were five (5) Board, four (4) Audit and Risk Oversight Committee, and one (1) Corporate Governance Committee meetings held in 2023.

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, 2023 were as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	San Miguel Food and Beverage, Inc. ² 40 San Miguel Avenue Mandaluyong City	San Miguel Corporation	Filipino	216,972,000	75.78%

¹ For 2023 to present, the General Manager and senior officers of the Company are as follows: Emmanuel B. Macalalag, 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.

² 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, Carlos Antonio M. Berba, Emmanuel B. Macalalag, Elizabeth R. Bay, Bella O. Navarra and Monica L. Ang. The Group B signatories of SMFB are Almira C. Dalusung, Eileen P. Ratilla, Ildefonso B. Alindogan, Daniel T. De Castro, Jr., Rita Imelda B. Palabyab, Joseph Francis M. Cruz, Florence P. Pavon, Nina Frances Therese B. Tenorio and Rogelio G. Lui.

Common	PCD Nominee Corp. (Filipino) Grd. Flr., Makati Stock Exchange Ayala Ave., Makati City	Various	Filipino	43,232,002	15.10%
Common	PCD Nominee Corp. (Non-Filipino) Grd. Flr., Makati Stock Exchange Ayala Ave., Makati City	Various	Non- Filipino	24,068,095	8.41%

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, 2023.

(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	Francis H. Jardeleza	5,000 (Direct)	Filipino	0.00%
Common	Ana Leah V. Rodriguez	5,000 (Direct)	Filipino	0.00%
Common	Aurora S. Lagman	5,000 (Direct)	Filipino	0.00%
Common	Martin S. Villarama, Jr.	5,000 (Direct)	Filipino	0.00%

The aggregate number of shares owned of record by the directors as a group as of December 31, 2023, 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, 2023 is 194,500 shares or approximately 0.0679% 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.³

Item 12. Certain Relationships and Related Transactions

See Note 27 (Related Party Disclosures) to the 2023 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.

³ As disclosed by the Company through SEC Form 17-C filed in 2018 dated April 6, August 22, October 15 and November 5.

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 2023, it will be submitted to the SEC not later than May 30, 2024 and shall be made available in its website.

Item 13.B. Sustainability Report

The Company's 2023 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 2023 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"**.

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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 12 APR 2024.

By:


RAMON S. ANG
President


CYNTHIA M. BAROY
Treasurer/Chief Finance Officer


VIRGILIO S. JACINTO
Corporate Secretary and
Compliance Officer

12 APR 2024

SUBSCRIBED AND SWORN to before me this 12 day of APRIL, 2024 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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Book No. I
Series of 2024.




CHRISTINE ANGELICA D. FELIX
Commission No. 0586-28
Notary Public for Mandaluyong City
Until December 31, 2024
33M1, 6th Floor, San Miguel Properties Centre,
St. Francis Street, Mandaluyong City
Roll No. 64625
VTR No: 3199280; 01/12/2024; Mandaluyong City
RSM Lifetime Member No. 013708; 04/13/2015; RSM
Compliance No. VII-0019301; 04/14/25; Pasig City

Annex “A”

**GINEBRA SAN MIGUEL INC.
LIST OF PRODUCTS
AS OF DECEMBER 31, 2023**

1. GINEBRA SAN MIGUEL
2. GINEBRA SAN MIGUEL PREMIUM GIN
3. G.S.M. BLUE LIGHT GIN
4. G.S.M. BLUE FLAVORS (Mojito, Margarita, Gin Pomelo, and Cosmopolitan)
5. PRIMERA LIGHT (Primera Light Imported)
6. VINO KULAFU (Chinese Wine)
7. ANTONOV VODKA
8. 1834 PREMIUM DISTILLED GIN
9. AÑEJO GOLD RUM
10. G&T Ultralight Spirit Drink (Lemon Ginger and Apple Black Tea)
11. SAN MIGUEL ETHYL ALCOHOL

For Export Only

12. TONDEÑA MANILA RUM (Gold)

**LIST OF PROPERTIES OWNED
BY GINEBRA SAN MIGUEL INC.
AND ITS SUBSIDIARIES
AS OF DECEMBER 31, 2023**

	<i>Owner</i>	<i>Classification</i>	<i>Address</i>	<i>Condition</i>
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	3 rd and 6 th 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 Tanks)	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.	Sales Office	Sales Office Building National Rd. Gulang-Gulang 4301 Lucena City (Capital) Quezon Philippines	Good
9	Ginebra San Miguel Inc.	Alcohol Depot (Tanks)	National Hi-way, Brgy. Tabangao, Aplaya, Batangas City	Good
10	Ginebra San Miguel Inc.	Alcohol Depot (Tanks)	San Pedro 4201 Bauan Batangas Philippines	Good
11	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Subangdaku, Mandaue City, Cebu	Good
12	Ginebra San Miguel Inc.	Alcohol Depot (Tanks)	Mandaue Port, J. Cenniza St., Looc Mandaue City	Good
13	Ginebra San Miguel Inc.	Land	Brgy. Calumangan, Bago City, Negros Occidental	Good
14	Ginebra San Miguel Inc.	Sales Office	Km. 13.5, Brgy. Taloc, Bago City, Negros Occidental	Good

**LIST OF PROPERTIES OWNED
BY GINEBRA SAN MIGUEL INC.
AND ITS SUBSIDIARIES
AS OF DECEMBER 31, 2023**

	Owner	Classification	Address	Condition
15	Ginebra San Miguel Inc.	Land	Minien West, Sta. Barbara, Pangasinan	Good
16	Ginebra San Miguel Inc.	Land	Maticmatic, Sta. Barbara, Pangasinan	Good
17	East Pacific Star Bottlers Phils Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Plant (Land, Buildings and Machineries)	327 Prenza Highway, San Fermin, Cauayan City, Isabela	Good
18	East Pacific Star Bottlers Phils Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Plant (Land, Buildings, Machineries and Warehouse)	Km. 503, Hacienda Mitra, Paulog, Ligao City, Albay	Good
19	East Pacific Star Bottlers, Phils., Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Sales Office	Prenza Highway, San Fermin, Cauayan City, Isabela	Good
20	East Pacific Star Bottlers, Phils., Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Land 1	Prenza, Cauayan City, Isabela	Good
21	East Pacific Star Bottlers, Phils., Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Land 2	Prenza, Cauayan City, Isabela	Good
22	East Pacific Star Bottlers, Phils., Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Sales Office	Km. 503, Hacienda Mitra, Paulog, Ligao City, Albay	Good
23	Distileria Bago, Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Alcohol Distillery Plant (Land, Machineries and Buildings) Aged Alcohol Warehouse	Km. 13.5, Brgy. Taloc, Bago City, Negros Occidental	Good
24	Distileria Bago, Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Deepwell Water Source (Land and Deepwell facilities)	Brgy., Taloc, Bago City, Negros Occidental	Good

**LIST OF PROPERTIES OWNED
BY GINEBRA SAN MIGUEL INC.
AND ITS SUBSIDIARIES
AS OF DECEMBER 31, 2023**

	<i>Owner</i>	<i>Classification</i>	<i>Address</i>	<i>Condition</i>
25	Distileria Bago, Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	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, 2023**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
NORTH LUZON							
1	SMC Shipping & Lighterage Corp.	Alcohol Depot (Tanks 1 and 2)	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Good	P599,107.14	October 31, 2024	Renewable by lessee at such terms and conditions mutually acceptable to the parties.
2	RG Prime Properties	Sales Admin Office	R-Hub Bldg. Disso-or 2501 Bauang La Union Philippines	Good	P36,000.00	August 31, 2024	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 (Warehouse 1)	Don Jose Canciller St., Cauayan City, Isabela	Good	P193,868.00	December 31, 2023	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon.
4	Isabela Leaf Tobacco Co. Inc.	Warehouse (Warehouse 2)	Don Jose Canciller St., Cauayan City, Isabela	Good	P194,940.00	February 15, 2024	Short-term lease only. Not subject for renewal.
5	Isabela Leaf Tobacco Co. Inc.	Warehouse (Warehouse 3)	Don Jose Canciller St., Cauayan City, Isabela	Good	P99,940.00	February 15, 2024	Short-term lease only. Not subject for renewal.

Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2023**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
6	Joseph V. Peralta Real Estate Lessor	Warehouse (Warehouse 1)	Brgy. Lunec, Malasiqui, Pangasinan	Good	P256,000.00	January 31, 2024	Subject to renewal or extension upon expiration of such period on such terms and conditions mutually be agreed upon between parties.
7	Joseph V. Peralta Real Estate Lessor	Warehouse (Warehouse 2)	Brgy. Lunec, Malasiqui, Pangasinan	Good	P366,240.00	February 15, 2024	Short-term lease only. Not subject for renewal.
8	Joseph V. Peralta Real Estate Lessor	Warehouse (Warehouse 3)	Lunec Malasiqui Pangasinan	Good	P366,240.00	February 29, 2024	Short-term lease only. Not subject for renewal.
9	Joseph V. Peralta Real Estate Lessor	Warehouse (Warehouse 4)	Lunec Malasiqui Pangasinan	Good	P366,240.00	February 29, 2024	Short-term lease only. Not subject for 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, 2024	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon by the parties.
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Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2023**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>
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GMA/NCR							
1	Platinum 168, Inc.	Head Office	5 th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Good	P 1,134,194.28	August 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.
2	San Miguel Corporation	Land	631 Tomas Claudio St. Zone 93 Barangay 865 1011 Pandacan NCR, City of Manila, First District Philippines	Good	P344,172.00	July 31, 2026	Either Party may serve a written request on the other Party for the renewal within ninety (90) days prior to the expiration of the Lease Period, provided that the Party, upon whom such notice is served, shall not be obliged to agree to the renewal of the lease
3	San Miguel Yamamura Packaging Corp	Warehouse and Sales Office	631 Tomas Claudio St. Zone 93 Barangay 865 1011 Pandacan NCR, City of Manila, First District Philippines	Good	P305,134.50	July 31, 2026	Renewable upon mutual agreement of both parties

Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2023**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
4	San Miguel Paper Packaging Corporation	Warehouse and Sales Office	#8380 Dr. A. Santos Avenue, BF Homes, Parañaque City	Good	P296,595.71 Rental as of December 31, 2023	April 30, 2026	Renewable upon mutual agreement of both parties
SOUTH LUZON							
1	Lode Mining Ventures Corporation	Land	Brgy. Tabangao, Aplaya, Batangas City	Good	P71,420.74	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.
2	Milaor Trading Corporation	Warehouse	Barangay 42, Rawiz Legazpi City	Good	P225,000.00	June 30, 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.
3	Southlane Realty and Development Corp.	Warehouse and Sales Office	National Road, Brgy. Sabang, Pagsanjan, Laguna	Good	P37,800.00	November 19, 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.
4	Tabaco Santiago Trading Inc	Warehouse	Brgy. San Carlos, Tabaco City, Albay	Good	P252,000.00	February 29, 2024	Short-term lease only. Not subject for renewal

Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2023**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
5	Tabaco Octa Enterprises	Warehouse	Encinas Compound, Brgy. Pawa, Tabaco City, Albay	Good	P200,000.00	February 29, 2024	Short-term lease only. Not subject for renewal
6	Bloom with Looms Logistics, Inc.	Warehouse (Warehouse 1)	Km#52 Bo. Lawa, Calamba, Laguna	Good	P311,040.00	February 29, 2024	Short-term lease only. Not subject for renewal
7	Bloom with Looms Logistics, Inc.	Warehouse (Warehouse 2)	Km#52 Bo. Lawa, Calamba, Laguna	Good	P427,680.00	February 29, 2024	Short-term lease only. Not subject for renewal
8	Bloom with Looms Logistics, Inc.	Warehouse (Warehouse 3)	Km#52 Bo. Lawa, Calamba, Laguna	Good	P388,800.00	February 29, 2024	Short-term lease only. Not subject for renewal
9	Bloom with Looms Logistics, Inc.	Warehouse (Warehouse 4)	Km#52 Bo. Lawa, Calamba, Laguna	Good	P388,800.00	February 29, 2024	Short-term lease only. Not subject for renewal
10	Bloom with Looms Logistics, Inc.	Warehouse (Warehouse 5)	Km#52 Bo. Lawa, Calamba, Laguna	Good	P294,840.00	February 29, 2024	Short-term lease only. Not subject for renewal
11	Bloom with Looms Logistics, Inc.	Warehouse (Warehouse 6)	Km#52 Bo. Lawa, Calamba, Laguna	Good	P294,840.00	February 29, 2024	Short-term lease only. Not subject for renewal

Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2023**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
VISAYAS							
1	San Miguel Corporation	Land (Alcohol Depot)	Brgy. Looc, City of Mandaue, Island of Cebu	Good	P102,077.00	December 31, 2025	Subject to renewal upon expiration for such period and under such terms and conditions as may be mutually acceptable to the parties.
2	CLN Societa Ventures Phils., Inc.	Sales Admin Office	Purok 1 Brgy. 91 Maharlika Highway, Abucay Tacloban City	Good	P33,928.57	October 31, 2023	Renewable upon mutual agreement of both parties
3	OM Building Rental	Warehouse and Sales Office	Brgy. Quintin Salas, Jaro, Iloilo City	Good	P58,500.00	January 31, 2025	Subject to renewal upon expiration for such period and under such terms and conditions as may be mutually acceptable to the parties.
4	Remcris Jane Sari-sari Store	Warehouse and Sales Office	Sitio Cabicalan Londres Allen, Northern Samar	Good	P50,000.00	August 31, 2024	Subject to renewal upon expiration for such period on such terms and condition as may mutually be agreed upon between parties.
5	Goldmark Property Ventures and Development, Inc.	Warehouse	T. Villa St. T. Padilla., Cebu City	Good	P332,800.00	April 30, 2024	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, 2023**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
6	FLB Industries, Inc.	Warehouse	P. Sanchez St., Brgy. Pagsabungan, Mandaue City	Good	P613,200.00	March 31, 2024	Short term lease only. Not subject for renewal
7	Corbox Corporation	Warehouse	Firecrash, Bangkal, Lapu-lapu City	Good	P500,000.00	February 29, 2024	Short term lease only. Not subject for renewal

MINDANAO							
1	San Miguel Corporation	Warehouse & Sales Office	Brgy. Talomo, Ulas, Davao City	Good	P54,450.00	May 31, 2025	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	P115,416.00	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.
3	Nesoricom Prime Arcade Inc.	Sales Admin Office	2nd flr., Nesoricom Prime Arcade, National Highway, Tiguma, Pagadian City	Good	P17,894.74	November 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, 2023**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
4	San Miguel Integrated Logistics Services, Inc.	Warehouse	SMC Compound, Ulas, Talomo District, Davao City	Good	P292,733.33	February 29, 2024	Short term lease only. Not subject for renewal.

***** 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, 2023. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2023. All necessary adjustments to present fairly the Group’s consolidated financial position as of December 31, 2023 and the financial performance and cash flows for the year ended December 31, 2023 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

<u>Items</u>	<u>Measurement Basis</u>
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 million (000,000), except when otherwise indicated.

Material Accounting Policies

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

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

Adoption of Amendments to Standards

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

- **Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*).** The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.
- **Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*).** The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements.

The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy information that users need to understand other information in the financial statements

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material Accounting Policies in certain instances in line with the amendments.

- **Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*).** The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

II. FINANCIAL PERFORMANCE

2023 vs 2022

	December		Horizontal Analysis		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
	<i>(In Thousands)</i>					
Sales	P53,638,569	P47,340,746	P6,297,823	13%	100%	100%
Cost of Sales	40,834,816	35,862,785	4,972,031	14%	76%	76%
Gross Profit	12,803,753	11,477,961	1,325,792	12%	24%	24%
Selling and Marketing Expenses	(3,715,966)	(3,397,473)	(318,493)	9%	-7%	-7%
General and Administrative Expenses	(2,252,979)	(2,093,924)	(159,055)	8%	-4%	-4%
Interest Expense and Other Financing Charges	(61,041)	(52,779)	(8,262)	16%	0%	0%
Gain (Loss) on Disposal / Retirement of Noncurrent Assets - Net	784	(1,040)	1,824	-175%	0%	0%
Interest Income	552,354	130,537	421,817	323%	1%	0%
Other Income (Charges) - Net	2,037,982	(5,031)	2,043,013	***	4%	0%
Income Before Income Taxes	9,364,887	6,058,251	3,306,636	55%	17%	13%
Income Tax Expense	2,319,020	1,511,029	807,991	53%	4%	3%
Net Income	P7,045,867	P4,547,222	P2,498,645	55%	13%	10%

The Group ended the year 2023 with revenues growing 13% to P53,639 million from P47,341 million last year driven by the price increase and higher volume. This, coupled with lower cost of packaging materials, offset by higher cost of alcohol and bottles resulted to 12% or P12,804 million gross profit.

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

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

Interest expense and other financing charges is higher by 16% or P8 million mainly from the company's defined benefit plans.

The Group's gain (net) on disposal or retirement of noncurrent assets in 2023 amounts to P784 thousand as compared to the loss of P1 million in 2022 due to gain from sale of retired transportation vehicles.

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

Other income in 2023 amounted to P2,038 million, in contrast to last year's other charges of P5 million (net) largely driven by the one-time income for the transfer of product rights on Don Papa and foreign exchange gains.

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

Annex “C”

2022 vs 2021

	December		Horizontal Analysis		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
	<i>(In Thousands)</i>					
Sales	P47,340,746	P42,534,124	P4,806,622	11%	100%	100%
Cost of Sales	35,862,785	31,760,865	4,101,920	13%	76%	75%
Gross Profit	11,477,961	10,773,259	704,702	7%	24%	25%
Selling and Marketing Expenses	(3,397,473)	(3,100,609)	(296,864)	10%	-7%	-7%
General and Administrative Expenses	(2,093,924)	(2,379,745)	285,821	-12%	-4%	-6%
Interest Expense and Other Financing Charges	(52,779)	(48,210)	(4,569)	9%	0%	0%
Interest Income	130,537	38,471	92,066	239%	0%	0%
Gain (Loss) on Disposal / Retirement of Noncurrent Assets - Net	(1,040)	5,583	(6,623)	-119%	0%	0%
Other Income (Charges) - Net	(5,031)	271,922	(276,953)	-102%	0%	1%
Income Before Income Taxes	6,058,251	5,560,671	497,580	9%	13%	13%
Income Tax Expense	1,511,029	1,381,732	129,297	9%	3%	3%
Net Income	P4,547,222	P4,178,939	P368,283	9%	10%	10%

In 2022, GSMI sustained its growth recording a 7% increase in volumes from the previous year. The increase in sales coupled with the increase in prices enabled an 11% growth in consolidated revenues, bringing it to P47,341 million from P42,534 million last year.

Cost of sales increased by 13% to P35,863 million as a result of higher sales and increase in cost of alcohol, bottles, other packaging materials, and fuel. Despite this, the group's gross profit rose by 7% to P11,478 million from last year's P10,773 million.

Interest earnings rose by 239% or by P92 million due to higher money market placement with better interest rates. On the other hand, interest expense and other financing charges was up by P5 million or 9% brought about by the higher interest rates on the actuarial valuations.

Other charges in 2022 amounted to P5 million net, in contrast to last year's other income of P272 million, due to the depreciation of Philippine peso against the U.S. dollar offset by tolling income earned during the year.

The group's net income is higher by 9% to P4,547 million from P4,179 million last year.

III. FINANCIAL POSITION

2023 vs 2022

			Horizontal Analysis		Vertical Analysis	
	December 2023	December 2022	Increase (Decrease) Amount	%	2023	2022
<i>(In Thousands)</i>						
ASSETS						
Current Assets						
Cash and cash equivalents	P 9,881,018	P 5,457,277	P 4,423,741	81%	36%	25%
Trade and other receivables - net	1,577,836	1,235,779	342,057	28%	6%	6%
Inventories	8,083,201	7,003,478	1,079,723	15%	29%	32%
Prepaid expenses and other current assets	817,344	868,981	(51,637)	-6%	3%	4%
	20,359,399	14,565,515	5,793,884	40%	73%	67%
Noncurrent Assets						
Investments in debt instruments						
at amortized cost	1,500,000	1,500,000	-	0%	5%	7%
Property, plant and equipment - net	5,092,142	4,730,803	361,339	8%	18%	22%
Right-of-use assets - net	50,778	97,751	(46,973)	-48%	0%	0%
Goodwill	126,863	126,863	-	0%	0%	1%
Deferred tax assets - net	562,775	524,963	37,812	7%	2%	2%
Other noncurrent assets - net	75,848	66,218	9,630	15%	0%	0%
	7,408,406	7,046,598	361,808	5%	27%	33%
	P27,767,805	P21,612,113	P 6,155,692	28%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	P 1,000,000	P -	P 1,000,000	***	4%	0%
Accounts payable and accrued expenses	5,694,109	5,540,299	153,810	3%	21%	26%
Income and other taxes payable	1,736,095	719,846	1,016,249	141%	6%	3%
Lease liabilities - current portion	25,796	32,967	(7,171)	-22%	0%	0%
Current maturities of long-term debt - net of debt issue costs	-	165,430	(165,430)	-100%	0%	1%
	8,456,000	6,458,542	1,997,458	31%	30%	30%
Noncurrent Liabilities						
Retirement liabilities	880,891	635,751	245,140	39%	3%	3%
Lease liabilities - net of current portion	30,602	75,775	(45,173)	-60%	0%	0%
	911,493	711,526	199,967	28%	3%	3%
	9,367,493	7,170,068	2,197,425	31%	34%	33%
Equity						
Capital stock	399,063	399,063	-	0%	1%	2%
Additional paid-in capital	2,539,454	2,539,454	-	0%	9%	12%
Equity reserves	(640,050)	(415,729)	(224,321)	54%	-2%	-2%
Retained earnings:						
Appropriated	3,512,000	3,512,000	-	0%	13%	16%
Unappropriated	16,259,818	12,077,230	4,182,588	35%	59%	56%
Treasury stock	(3,669,973)	(3,669,973)	-	0%	-13%	-17%
	18,400,312	14,442,045	3,958,267	27%	66%	67%
	P27,767,805	P21,612,113	P 6,155,692	28%	100%	100%

The Group's financial position remained healthy with strong cash levels. Cash and cash equivalents amounting to P9,881 million in 2023 is 81% higher as compared with last year's P5,457 million brought about by the higher income and short-term loan proceeds.

Trade and other receivables increased by 28% to P1,578 million in 2023 from P1,236 million in 2022 due to increase in modern-trade sales.

Inventories amounted to P8,083 million in 2023, a growth of 15% from P7,003 million in 2022 due to higher purchases of raw materials and higher inventory levels for build-up.

Annex “C”

Prepaid expenses and other current assets decreased 6% to P817 million due to lower input and prepaid taxes partly offset by higher derivative assets, prepaid insurance, and personnel advances.

Plant, property and equipment amounted to P5,092 million (net), an 8% increase from P4,731 million a year ago attributable to the recognition of additional capitalizable projects.

Right-of-use assets in 2023 at P50 million (net) is a decrease of 48% from P98 million last year resulting from retirement and depreciation.

Deferred tax assets went up 7% to P562 million mainly due to recognition of additional reserves for retirement plan.

Other noncurrent assets jumped 15% to P75 million owing to the increase in suppliers' advances.

In 2023, the group entered into a short-term loan amounting to P1,000 million.

Income and other taxes payable soared 141% to P1,736 million in 2023 from P720 million in 2022 due to higher taxable income and implementation of quarterly VAT remittance.

The total lease liabilities, current and noncurrent, decreased by 48% to P56,398 million mainly from ROU asset retirement and amortization.

The long-term debt of the group has matured in 2023.

Retirement liabilities were up by 39% to P881 million in 2023 from P636 in 2022 attributable to the recognition of additional pension cost for the current year.

Equity reserves increased by 54% to P640 million brought about by the additional recognition for retirement benefit plan.

The group's higher income resulted in the 35% increase or P4,183 million in unappropriated retained earnings for the current year.

Annex “C”

2022 vs 2021

			Horizontal Analysis		Vertical Analysis	
	December 2022	December 2021	Increase Amount	(Decrease) %	2022	2021
<i>(In Thousands)</i>						
ASSETS						
Current Assets						
Cash and cash equivalents	P 5,457,277	P 2,379,166	P 3,078,111	129%	25%	13%
Trade and other receivables - net	1,235,779	1,036,748	199,031	19%	6%	6%
Inventories	7,003,478	8,730,041	(1,726,563)	-20%	32%	47%
Prepaid expenses and other current assets	868,981	1,123,525	(254,544)	-23%	4%	6%
	14,565,515	13,269,480	1,296,035	10%	67%	72%
Noncurrent Assets						
Investments in debt instruments at amortized cost	1,500,000	-	1,500,000	0%	7%	0%
Property, plant and equipment - net	4,730,803	4,236,248	494,555	12%	22%	23%
Right-of-use assets - net	97,751	176,083	(78,332)	-44%	0%	1%
Goodwill	126,863	126,863	-	0%	1%	1%
Deferred tax assets - net	524,963	499,574	25,389	5%	2%	3%
Other noncurrent assets - net	66,218	88,763	(22,545)	-25%	0%	0%
	7,046,598	5,127,531	1,919,067	37%	33%	28%
	P21,612,113	P18,397,011	P 3,215,102	17%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	P 5,540,299	P 5,143,987	P 396,312	8%	26%	28%
Income and other taxes payable	719,846	590,139	129,707	22%	3%	3%
Current maturities of long-term debt - net of debt issue costs	165,430	165,417	13	0%	1%	1%
Lease liabilities - current portion	32,967	56,860	(23,893)	-42%	0%	0%
	6,458,542	5,956,403	502,139	8%	30%	32%
Noncurrent Liabilities						
Retirement liabilities	635,751	621,920	13,831	2%	3%	3%
Lease liabilities - net of current portion	75,775	134,247	(58,472)	-44%	0%	1%
Long-term debt - net of debt of issue costs	-	165,430	(165,430)	-100%	0%	1%
	711,526	921,597	(210,071)	-23%	3%	5%
	7,170,068	6,878,000	292,068	4%	33%	37%
Equity						
Capital stock	399,063	399,063	-	0%	2%	2%
Additional paid-in capital	2,539,454	2,539,454	-	0%	12%	14%
Equity reserves	(415,729)	(366,345)	(49,384)	13%	-2%	-2%
Retained earnings:						
Appropriated	3,512,000	3,512,000	-	0%	16%	19%
Unappropriated	12,077,230	9,104,812	2,972,418	33%	56%	49%
Treasury stock	(3,669,973)	(3,669,973)	-	0%	-17%	-20%
	14,442,045	11,519,011	2,923,034	25%	67%	63%
	P21,612,113	P18,397,011	P 3,215,102	17%	100%	100%

Improved operating income and cash inflow led an improvement in cash and cash equivalents by 129% to P5,457 million from P2,379 million last year.

Trade and other receivables increased by 19% or by P199 million to P1,236 million due to higher credit sales.

Inventories decreased to P7,003 million from P8,730 million last year due to lower finished goods inventory level. Likewise, prepaid expenses dropped by 23% to P869 million mainly due to lower prepaid taxes partly offset by an increase in prepaid insurance.

In 2022, the group subscribed to a long-term investment with a total amount of P1,500 million.

Annex “C”

Property, plant and equipment increased by 12% to P4,731 million mainly from additional capitalizable projects while the right-of-use and other non-current assets decreased by P78 million and P23 million, respectively due to depreciation and amortization.

Higher purchase of materials partly offset by settlement of payables prompted the 8% increase or P396 million in accounts payable and accrued expenses.

With the group's higher taxable income, income and other taxes payable posted a 22% increase to P720 million from P590 million last year.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	December 31	
	2023	2022
	<i>(in Millions)</i>	
Net cash flows provided by operating activities	P6,852	P7,257
Net cash flows used in investing activities	(450)	(2,381)
Net cash flows used in financing activities	(1,984)	(1,772)

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	
	2023	2022
	<i>(in Millions)</i>	
Interest received	P537	P118
Proceeds from sale of investments and property and equipment	0.784	3
Additions in advances to suppliers	(12)	(12)
Additions to property, plant and equipment	(966)	(990)
Additions to investment in debt instruments at amortized cost	-	(1,500)
Decrease (increase) in other noncurrent assets	(10)	(0.020)

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

	December 31	
	2023	2022
	<i>(in Millions)</i>	
Proceeds from short-term borrowings	P999	P -
Payments of lease liabilities	(42)	(81)
Payments of short-term and long-term borrowings	(167)	(167)
Cash dividends paid	(2,774)	(1,525)

The effect of exchange rate changes on cash and cash equivalents amounted to P31.3 million and (P25.7) million for the periods ended December 31, 2023 and 2022, respectively.

Annex “C”

IV. 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, 2023	As of December 31, 2022
Liquidity: Current Ratio	2.41	2.26
Solvency: Debt to Equity Ratio Asset to Equity Ratio	0.51 1.51	0.50 1.50
Profitability: Return on Average Equity Interest Rate Coverage Ratio	36% 119.78	35% 113.84
	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021
Operating Efficiency: Volume Growth Revenue Growth Operating Margin	4% 13% 13%	7% 11% 13%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

Annex “C”

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	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

V. OTHER MATTERS

a. *Commitments*

The outstanding purchase commitments of the Group amounted to US\$176 million (P9,736 million), as at December 31, 2023.

b. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group. No provision was recognized as at December 31, 2023 and 2022.

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 P1.622 and P1.617 in 2023 and 2022, respectively, for consolidated statements of financial position accounts; and average rates of P1.601, P1.600 and P1.499 in 2023, 2022 and 2021, respectively, for income and expense accounts.

SEC eFast Initial Acceptance

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

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SEC Registration No: 0000142312

Company Name: GINEBRA SAN MIGUEL, INC.

Document Code: AFS

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Another email will be sent as proof of review and acceptance.

Thank you.

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Please strictly follow the instruction stated in the form.

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

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

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

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

SECURITIES AND EXCHANGE COMMISSION

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

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**GINEBRA SAN MIGUEL INC. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023, 2022 and 2021**

With Independent Auditors' Report



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 schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


CYNTHIA M. BAROY
Chief Finance Officer


RAMON S. ANG
President

Signed this 6th day of March 2024

GINEBRA SAN MIGUEL, INC.

3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila, Philippines 1550 • Telephone: +632 8841-5100 • Telefax: +632 8841-5240

A Subsidiary of  **SAN MIGUEL CORPORATION**

04 APR 2024

SUBSCRIBED AND SWORN to before me this _____, affiant exhibiting to me their Passport, as follow:

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

Doc. No. 264 ;
 Page No. 54 ;
 Book No. I ;
 Series of 2024.



(Signature)
 MARIE ANTOINETTE V. PASCUA
 Commission No. 0577-23
 Notary Public for Mandaluyong City
 Issued December 31, 2021
 GSM, 6th Floor, San Miguel Properties Condo,
 St. Francis Street, Mandaluyong City
 Roll No. 62977
 PTR No. 3199282; 01/12/2024; Mandaluyong City
 IBP Lifetime Number No. 012773; 04/15/2011; R511
 MCLE Compliance No. VIII-0004218; 04/11/23; Pasig City



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floors, 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, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the 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.

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



Key Audit 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 (P53,639 million)

Refer to Note 3, *Material 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 management 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 customers' sales invoices, delivery documents and proof of collections such as official receipts or bank statements to ascertain that revenue recognition criteria is met.
- We tested, on a sampling basis, sales transactions from the last month of the reporting period and also the first month of the following reporting period to supporting documentation such as customers' sales invoices, delivery documents and proof of collections such as official receipts and bank statements 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, 2023 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, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Maria Arleene C. Yu.

R.G. MANABAT & CO.


MARIA ARLEENE C. YU

Partner

CPA License No. 0108855

Tax Identification No. 225-068-761

BIR Accreditation No. 08-000745-041-2023

Issued October 9, 2023, valid until October 9, 2026

PTR No. MKT 10075208

Issued January 2, 2024 at Makati City

April 8, 2024

Makati City, Metro Manila

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(In Thousands)

	<i>Note</i>	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	4, 5, 31, 32	P9,881,018	P5,457,277
Trade and other receivables - net	4, 6, 22, 26, 27, 31, 32	1,577,836	1,235,779
Inventories	4, 7	8,083,201	7,003,478
Prepaid expenses and other current assets	8, 27, 31, 32	817,344	868,981
Total Current Assets		20,359,399	14,565,515
Noncurrent Assets			
Investments in joint ventures	4, 9	-	-
Investment in debt instruments at amortized cost	4, 10, 27, 31, 32	1,500,000	1,500,000
Property, plant and equipment - net	4, 11	5,092,142	4,730,803
Right-of-use assets - net	4, 12, 27, 28	50,778	97,751
Goodwill - net	4, 13	126,863	126,863
Deferred tax assets - net	4, 18	562,775	524,963
Other noncurrent assets - net	4, 14, 27, 31, 32	75,848	66,218
Total Noncurrent Assets		7,408,406	7,046,598
		P27,767,805	P21,612,113
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	16	P1,000,000	P -
Accounts payable and accrued expenses	15, 27, 31, 32	5,694,109	5,540,299
Income and other taxes payable		1,736,095	719,846
Lease liabilities - current portion	4, 27, 28, 31	25,796	32,967
Current maturities of long-term debt - net of debt issue costs	17, 25, 31, 32	-	165,430
Total Current Liabilities		8,456,000	6,458,542
Noncurrent Liabilities			
Retirement liabilities	4, 29	880,891	635,751
Lease liabilities - net of current portion	4, 27, 28, 31	30,602	75,775
Long-term debt - net of current maturities and debt issue costs	17, 31, 32	-	-
Total Noncurrent Liabilities		911,493	711,526
Total Liabilities		9,367,493	7,170,068

Forward

	Note	2023	2022
Equity	19		
Capital stock		P399,063	P399,063
Additional paid-in capital		2,539,454	2,539,454
Equity reserves		(640,050)	(415,729)
Retained earnings:			
Appropriated		3,512,000	3,512,000
Unappropriated		16,259,818	12,077,230
Treasury stock		(3,669,973)	(3,669,973)
Total Equity		18,400,312	14,442,045
		P27,767,805	P21,612,113

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands, Except Per Share Data)

	<i>Note</i>	2023	2022	2021
SALES	27	P53,638,569	P47,340,746	P42,534,124
COST OF SALES	20	40,834,816	35,862,785	31,760,865
GROSS PROFIT		12,803,753	11,477,961	10,773,259
SELLING AND MARKETING EXPENSES	21	(3,715,966)	(3,397,473)	(3,100,609)
GENERAL AND ADMINISTRATIVE EXPENSES	22	(2,252,979)	(2,093,924)	(2,379,745)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	11, 16, 17, 25, 28, 29	(61,041)	(52,779)	(48,210)
INTEREST INCOME	5, 10, 27	552,354	130,537	38,471
GAIN (LOSS) ON DISPOSAL/RETIREMENT OF NONCURRENT ASSETS - Net	11, 14	784	(1,040)	5,583
OTHER INCOME (CHARGES) - Net	26	2,037,982	(5,031)	271,922
INCOME BEFORE INCOME TAXES		9,364,887	6,058,251	5,560,671
INCOME TAX EXPENSE	18	2,319,020	1,511,029	1,381,732
NET INCOME		P7,045,867	P4,547,222	P4,178,939
Basic and Diluted Earnings Per Share	30	P24.61	P15.88	P14.59

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

	<i>Note</i>	2023	2022	2021
NET INCOME		P7,045,867	P4,547,222	P4,178,939
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss				
Share in other comprehensive loss of joint ventures	9	-	-	(4,451)
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan	29	(299,094)	(65,845)	89,633
Income tax	18	74,773	16,461	(51,312)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		(224,321)	(49,384)	33,870
TOTAL COMPREHENSIVE INCOME - Net of tax		P6,821,546	P4,497,838	P4,212,809

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, 2023, 2022 AND 2021
(In Thousands)

	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, 2023		P345,625	P53,438	P2,539,454	(P415,729)	P -	P3,512,000	P 12,077,230	(P1,947,198)	(P1,722,775)	P 14,442,045
Net income		-	-	-	-	-	-	7,045,867	-	-	7,045,867
Other comprehensive loss:											
Share in other comprehensive loss of joint ventures	9	-	-	-	-	-	-	-	-	-	-
Equity reserve for retirement plan	29	-	-	-	(224,321)	-	-	-	-	-	(224,321)
Total comprehensive income		-	-	-	(224,321)	-	-	7,045,867	-	-	6,821,546
Cash dividends and distribution on common shares	19	-	-	-	-	-	-	(2,863,279)	-	-	(2,863,279)
As at December 31, 2023	19	P345,625	P53,438	P2,539,454	(P640,050)	P -	P3,512,000	P16,259,818	(P1,947,198)	(P1,722,775)	P18,400,312

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, 2022		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
Net income		-	-	-	-	-	-	4,547,222	-	-	4,547,222
Other comprehensive loss:											
Share in other comprehensive loss of joint ventures	9	-	-	-	-	-	-	-	-	-	-
Equity reserve for retirement plan	29	-	-	-	(49,384)	-	-	-	-	-	(49,384)
Total comprehensive income		-	-	-	(49,384)	-	-	4,547,222	-	-	4,497,838
Cash dividends and distribution on common shares	19	-	-	-	-	-	-	(1,574,804)	-	-	(1,574,804)
As at December 31, 2022	19	P345,625	P53,438	P2,539,454	(P415,729)	P -	P3,512,000	P12,077,230	(P1,947,198)	(P1,722,775)	P14,442,045
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
Net income		-	-	-	-	-	-	4,178,939	-	-	4,178,939
Other comprehensive income (loss):											
Share in other comprehensive loss of joint ventures	9	-	-	-	-	(4,451)	-	-	-	-	(4,451)
Equity reserve for retirement plan	29	-	-	-	38,321	-	-	-	-	-	38,321
Total comprehensive income		-	-	-	38,321	(4,451)	-	4,178,939	-	-	4,212,809
Redemption of preferred shares		-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Appropriations (reversal of appropriations)		-	-	-	-	-	1,012,000	(1,012,000)	-	-	-
Cash dividends and distribution:											
Common	19	-	-	-	-	-	-	(1,145,311)	-	-	(1,145,311)
Preferred	19	-	-	-	-	-	-	(546)	-	-	(546)
As at December 31, 2021	19	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

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

	<i>Note</i>	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P9,364,887	P6,058,251	P5,560,671
Adjustments for:				
Depreciation and amortization	<i>11, 12, 14, 20, 21, 22, 23</i>	666,063	677,239	679,606
Retirement expense	<i>24, 29</i>	94,998	98,437	469,921
Interest expense and other financing charges	<i>11, 16, 17, 25, 28, 29</i>	61,041	52,779	48,210
Net provision (reversal) of impairment losses for write-down of inventories to net realizable value	<i>7, 20</i>	30,098	(10,325)	-
Net provision (reversal) of impairment losses on trade and other receivables	<i>6, 22</i>	(292)	10,325	83,126
Loss (gain) on disposal/retirement of noncurrent assets - net	<i>11, 14</i>	(784)	1,040	(5,583)
Gain on lease modification	<i>26</i>	(8,014)	(10,159)	(10,677)
Net derivative loss (gain)	<i>26, 32</i>	(2,000)	241,801	96,759
Net unrealized foreign exchange loss (gain)	<i>26, 31</i>	(33,905)	28,131	(2,659)
Interest income	<i>5, 10</i>	(552,354)	(130,537)	(38,471)
Operating income before working capital changes		9,619,738	7,016,982	6,880,903
Decrease (increase) in:				
Trade and other receivables		(325,961)	(199,903)	(165,026)
Inventories		(1,155,381)	1,529,566	(2,820,854)
Prepaid expenses and other current assets		(435,413)	(198,488)	(411,033)
Increase (decrease) in:				
Accounts payable and accrued expenses		179,404	287,349	(37,910)
Other taxes payable		820,160	130,043	115,507
Cash generated from operations		8,702,547	8,565,549	3,561,587
Contribution to retirement plan	<i>29</i>	(189,785)	(178,323)	(178,323)
Interest and other financing charges paid		(17,822)	(18,219)	(25,061)
Income taxes paid		(1,668,233)	(1,111,845)	(866,239)
Net cash flows provided by operating activities		6,826,707	7,257,162	2,491,964

Forward

	<i>Note</i>	2023	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		P537,061	P 117,648	P37,313
Proceeds from disposal of property and equipment	11	784	3,270	6,383
Additions to advances to suppliers	14	(12,007)	(11,839)	(9,272)
Additions to property, plant and equipment	11	(966,026)	(990,333)	(588,643)
Additions to investment in debt instruments at amortized cost	10	-	(1,500,000)	-
Increase in other noncurrent assets		(10,274)	(20)	(33,562)
Net cash flows used in investing activities		(450,462)	(2,381,274)	(587,781)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable	16	998,747	-	-
Payments of:				
Lease liabilities	28	(41,820)	(80,670)	(70,571)
Long-term borrowings	17	(166,666)	(166,667)	(166,667)
Cash dividends		(2,774,093)	(1,524,714)	(1,110,178)
Redemption of preferred shares	19	-	-	(1,000,000)
Net cash flows used in financing activities		(1,983,832)	(1,772,051)	(2,347,416)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		31,328	(25,726)	2,825
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		4,423,741	3,078,111	(440,408)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
	5	5,457,277	2,379,166	2,819,574
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	5	P9,881,018	P5,457,277	P2,379,166

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 engaged in the manufacture and sale of alcoholic beverages, and all business activities incidental or related to carrying out these activities.

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 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 Group is engaged in the manufacture and sale of alcoholic beverages, tolling, marketing, distillation of alcohol, and bottling of alcohol and nonalcoholic beverages.

The Company and its domestic subsidiaries 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 Company and its domestic subsidiaries shall have a perpetual corporate life.

The registered office address of the Company is 3rd and 6th Floor, 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 and Sustainability Reporting Standards Council (FSRSC).

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

Basis of Measurement

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

<u>Items</u>	<u>Measurement Basis</u>
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:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>
Distileria Bago, Inc. (DBI)	Philippines
East Pacific Star Bottlers Phils Inc. (EPSBPI)	Philippines
Agricrops Industries Inc. (All)	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.

3. Material Accounting Policies

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

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

Adoption of Amendments to Standards

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

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.
- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements.

The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy information that users need to understand other information in the financial statements

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material Accounting Policies in certain instances in line with the amendments.

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

New and Amendments to Standards Not Yet Adopted

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

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
 - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

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

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

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

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

Financial Instruments

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

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

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

Financial Assets

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, 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.

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, 2023 and 2022.

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 date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost and security deposit are included under this category (Notes 5, 6, 10, 14, 31 and 32).

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, 31 and 32).

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 cash flow 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 15, 31 and 32).

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

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

The Group’s liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt and lease liabilities are included under this category (Notes 15, 16, 17, 28, 31 and 32).

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.

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 of write-down of inventories arising from an increase in net realizable value, if any, are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

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.

Property, Plant and Equipment

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

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

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

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

	<u>Number of Years</u>
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 methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

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

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

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

Leases

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

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

Group as Lessee

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

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

	Number of Years
Land and land improvements	12 - 14
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 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.

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.

Impairment of Non-financial Assets

The carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, intangible assets with finite lives and deferred containers 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

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

Capital Stock and Additional Paid-in Capital

Common Shares

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

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the 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. The Company considers the requirements of Section 42 of the Revised Corporation Code for its retained earnings. It addresses any excess over paid-in capital stock after permissible appropriations or restrictions under the said section, in the current or succeeding periods. 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 and are generally determined based on concluded sales transaction as at the end of each period.

Income 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.

Others. Other income is recognized when earned.

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 translation 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 United States Dollar (USD), 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 GSMIL, GSMIHL, GBHL, SHL, 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 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.

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 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, (i) affects neither the accounting profit nor taxable profit or loss and (ii) does not give rise to equal taxable differences; 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, (i) affects neither the accounting profit nor taxable profit or loss and (ii) does not give rise to equal taxable differences; 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.

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.

Related Parties

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

Operating Segment

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.

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:

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 (charges) - net” account in the consolidated statements of income, amounted to P172 in 2023, 2022 and 2021 (Notes 26, 27 and 28).

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.

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).

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.

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 P3,897 and nil in 2023 and 2022, respectively. The Group recognized provision for impairment losses amounted to nil and P10,325 in 2023 and 2022, respectively. The allowance for impairment losses on trade receivables amounted to P9,768 and P18,254 as at December 31, 2023 and 2022, respectively (Note 6). The net carrying amount of trade receivables amounted to P1,348,927 and P962,099 as at December 31, 2023 and 2022, respectively (Notes 6, 31 and 32).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2023 and 2022.

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

	Note	2023	2022
Other Financial Assets at Amortized Cost			
Cash and cash equivalents	5	P9,881,018	P5,457,277
Non-trade receivables - net of allowance for impairment losses* (included under "Trade and other receivables - net" account)**	6	213,915	211,343
Investment in debt instruments at amortized cost	10	1,500,000	1,500,000
Security deposit (included under "Trade and other receivables - net" and "Other noncurrent assets - net" accounts)	14	503	503

*Allowance for impairment losses on non-trade receivables amounted to P672,799 and P673,039 as at December 31, 2023 and 2022, respectively (Note 6).

** Excluding tax certificate receivables amounted to P14,984 and P62,327 as at December 31, 2023 and 2022, respectively and security deposit amounting to P10 as at December 31, 2023 and 2022 (Note 6).

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, 11, 12, 13, 15, 29 and 32.

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 P141,665 and P118,353 as at December 31, 2023 and 2022, respectively (Note 7).

The carrying amount of inventories amounted to P8,083,201 and P7,003,478 as at December 31, 2023 and 2022, respectively (Note 7).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets, Deferred Containers and Intangible Asset with Finite Useful Life. The Group estimates the useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life 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, deferred containers and intangible asset with finite useful life 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, deferred containers and intangible asset with finite useful life 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, deferred containers and intangible asset with finite useful life 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, deferred containers and intangible asset with finite useful life as at December 31, 2023 and 2022.

Property, plant and equipment, net of accumulated depreciation and impairment losses amounted to P5,092,142 and P4,730,803 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of property, plant and equipment amounted to P9,922,509 and P9,328,669 as at December 31, 2023 and 2022, respectively (Note 11).

Right-of-use assets, net of accumulated depreciation and amortization amounted to P50,778 and P97,751 as at December 31, 2023 and 2022, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P84,562 and P92,001 as at December 31, 2023 and 2022, respectively (Note 12).

Deferred containers, net of accumulated depreciation, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to nil and P1,764 as at December 31, 2023 and 2022, respectively. Accumulated depreciation of deferred containers amounted to nil and P373,245 as at December 31, 2023 and 2022, respectively (Note 14).

Intangible assets, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P27,792 and P28,420 as at December 31, 2023 and 2022, respectively. Accumulated amortization of intangible assets amounted to P25,729 and P14,842 as at December 31, 2023 and 2022, respectively (Note 14).

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 P56,398 and P108,742 as at December 31, 2023 and 2022, respectively (Notes 27, 28, and 31).

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, 2023 and 2022 (Note 13).

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.

The net deferred tax assets amounted to P562,775 and P524,963 as at December 31, 2023 and 2022, respectively (Note 18).

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, 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 and property, plant and equipment amounted to P551,399 as at December 31, 2023 and 2022 (Notes 9 and 11).

The combined carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, deferred containers and intangible assets with finite useful lives amounted to P5,170,712 and P4,858,738 as at December 31, 2023 and 2022, respectively (Notes 9, 11, 12 and 14).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P2,267,495 and P1,812,853 as at December 31, 2023 and 2022, respectively (Note 29).

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<i>Note</i>	2023	2022
Cash in banks and on hand		P787,855	P1,945,277
Short-term investments		9,093,163	3,512,000
	<i>31, 32</i>	P9,881,018	P5,457,277

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 P434,790, P125,206 and P38,471 in 2023, 2022 and 2021, respectively.

6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2023	2022
Trade:			
Third parties		P1,343,360	P973,441
Related parties	27	15,335	6,912
Non-trade:			
Third parties		153,927	219,319
Related parties	27	747,781	727,400
		2,260,403	1,927,072
Less allowance for impairment losses		682,567	691,293
	31, 32	P1,577,836	P1,235,779

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 P9,768 and P18,254 as at December 31, 2023 and 2022, respectively.

Non-trade receivables from third parties consist of the following: (i) receivable from employees amounting to P22,770 and P22,361 as at December 31, 2023 and 2022, respectively; (ii) tax certificate receivables amounting to P14,969 and 62,327 as at December 31, 2023 and 2022, respectively; and (iii) miscellaneous receivables amounting to P116,188 and P134,631 as at December 31, 2023 and 2022, respectively. These are generally collectible on demand. Allowance for impairment losses for non-trade receivables from third parties amounted to P380 and P620 as at December 31, 2023 and 2022, respectively.

Allowance for impairment losses pertaining to non-trade receivables from related parties amounted to P672,419 as at December 31, 2023 and 2022, respectively.

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

	Note	2023	2022
Balance at beginning of year		P691,293	P681,070
Provision	22	4,297	10,325
Reversal of impairment loss	22	(4,589)	-
Recovery for the year	26	-	(102)
Amounts written off		(8,434)	-
Balance at end of year	4	P682,567	P691,293

The reversal and recovery of impairment loss amounting to P4,589 and P102 in 2023 and 2022, respectively, is included as part of "Net provision (reversal) for impairment losses" under "General and administrative expenses" account and "Others" under "Other income (charges) - net" account, respectively, in the consolidated statements of income (Notes 22 and 26).

7. Inventories

Inventories consist of:

	2023	2022
At cost:		
Finished goods and goods in process	P4,785,850	P4,034,046
At net realizable value:		
Materials and supplies	3,297,351	2,969,432
	P8,083,201	P7,003,478

The cost of materials and supplies amounted to P3,439,016 and P3,087,785 as at December 31, 2023 and 2022, respectively.

The amount of inventories charged to cost of sales amounted to P15,454,336, P13,967,463 and P12,638,837 in 2023, 2022 and 2021, respectively (Note 20).

The movements in allowance for write-down of inventories to net realizable value at the beginning and end of 2023 and 2022 follow:

	Note	2023	2022
Balance at beginning of year		P118,353	P141,792
Provision	20, 22	38,503	-
Write-off		(6,786)	(13,114)
Reversal	20	(8,405)	(10,325)
Balance at end of year	4	P141,665	P118,353

Provision for write-down of inventories to net realizable value amounted to P38,503 and nil in 2023 and 2022, respectively.

The Company adjusted the allowance for write-down of inventories to net realizable value based on the recent computed net realizable value. This resulted to reversal of allowance for write-down of inventories amounting to P8,405 and P10,325 in 2023 and 2022, respectively, and has been recognized as part of "Net provision (reversal) for write-down of inventories to net realizable value" under "Cost of sales" account in the consolidated statements of income (Note 20).

8. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	2023	2022
Prepaid taxes		P747,096	P819,251
Derivative assets	31, 32	14,572	2,638
Others	27	55,676	47,092
		P817,344	P868,981

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

Others include prepaid insurance, prepaid rental and advances to employees. Prepaid insurance includes amounts owed by a related party amounting to P45,002 and P40,390 as at December 31, 2023 and 2022, respectively (Note 27).

The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 32.

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.

TSML	2023	2022	2021
Current assets (including cash and cash equivalents - 2023: P218,817; 2022: P344,797 and 2021: P140,734)	P331,755	P603,948	P772,124
Noncurrent assets	683,238	732,657	828,246
Current liabilities (including financial liabilities - 2023: P1,281,459; 2022: P1,277,193; and 2021: P1,206,014)	(1,320,303)	(1,379,120)	(1,281,317)
Net assets (liabilities)	(305,310)	(42,515)	319,053
Percentage of ownership	44.9%	44.9%	44.9%
Amount of investment in joint venture	-	-	143,255
Carrying amount of investment in joint venture - net	P -	P -	P -
TSML	2023	2022	2021
Sales	P3,279	P397,212	P874,925
Cost of sales (including depreciation - 2023: P46,347; 2022: P136,602 and 2021: P128,281)	(61,016)	(563,196)	(976,316)
Operating expenses (including depreciation - 2023: P3,237; 2022: P3,353 and 2021: P3,452)	(170,876)	(160,133)	(79,510)
Other charges (including interest expense - 2023: P31,616; 2022: P30,727 and 2021: P30,450)	(31,263)	(35,414)	(30,925)
Net loss	(259,876)	(361,531)	(211,826)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net loss	(116,684)	(162,327)	(95,110)
Share in other comprehensive loss	-	-	(4,451)
Total comprehensive loss	(P116,684)	(P162,327)	(P99,561)

In 2019, the Group assessed that its investment in TSML is impaired. The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 2% and is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections is 9% and also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. Accumulated impairment losses amounted to P243,799 as at December 31, 2023 and 2022.

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 P412,289 and P295,605 as at December 31, 2023 and 2022, respectively.

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:

TGT	2023	2022	2021
Current assets (including cash and cash equivalents - 2023: P7,168; 2022: P7,135 and 2021: P9,575)	P18,203	P18,216	P23,233
Noncurrent assets	214	431	683
Current liabilities	(989,278)	(986,056)	(938,379)
Net liabilities	(970,861)	(967,409)	(914,463)
Percentage of ownership	44.9%	44.9%	44.9%
Carrying amount of investment in joint venture	P -	P -	P -

TGT	2023	2022	2021
Sales	P126	P12,166	P39,584
Cost of sales	(115)	(9,895)	(32,574)
Operating expenses (including depreciation - 2023: P201; 2022: P202 and 2021: P190)	(243)	(1,413)	(22,850)
Other income	14	118	642
Net income (loss)	(218)	976	(15,198)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net income (loss)	(98)	438	(6,824)
Share in other comprehensive loss	-	-	(60,003)
Total comprehensive income (loss)	(P98)	P438	(P66,827)

The Group discontinued recognizing its share in the net losses of TGT since the cumulative losses 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. Total unrecognized share in net losses amounted to P295,290 and P295,192 respectively.

10. Investments in Debt Instruments at Amortized Cost

On December 12, 2022, the Company entered into investment agreement with Bank of Commerce. The Company invested in debt instruments amounting to a total of P1,500,000 which bear an annual average interest rate of 6.90% and maturities up to seven years (Notes 4, 27, 31 and 32).

Interest income earned from investments in debt instruments at amortized cost amounted to P117,564 and P5,331 in 2023 and 2022, respectively.

11. 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, 2022	P1,133,104	P2,310,440	P426,597	P8,605,711	P620,669	P63,680	P336,165	P13,496,366
Additions	108,551	515,384	17,927	153,510	32,592	12,168	219,539	1,059,671
Disposals/retirement	(912)	(3,610)	(18,485)	(160,850)	(6,113)	(2,776)	-	(192,746)
Reclassifications	422	(220,677)	12,385	442,894	6,556	12,506	(250,305)	3,781
December 31, 2022	1,241,165	2,601,537	438,424	9,041,265	653,704	85,578	305,399	14,367,072
Additions	1,580	86,947	29,348	214,666	220,727	21,898	390,860	966,026
Disposals/retirement	-	-	(3,464)	(3,794)	(900)	(13,443)	-	(21,601)
Reclassifications	15,923	(4,822)	12,395	177,290	37,343	42,466	(269,841)	10,754
December 31, 2023	1,258,668	2,683,662	476,703	9,429,427	910,874	136,499	426,418	15,322,251
Accumulated Depreciation								
January 1, 2022	282,171	1,341,266	280,051	6,559,349	470,932	18,749	-	8,952,518
Depreciation	10,837	84,187	50,719	351,369	61,937	5,539	-	564,588
Disposals/retirement	(912)	(3,610)	(18,484)	(158,953)	(6,115)	(363)	-	(188,437)
Reclassifications	-	(3,580)	-	(3,818)	(782)	8,180	-	-
December 31, 2022	292,096	1,418,263	312,286	6,747,947	525,972	32,105	-	9,328,669
Depreciation	11,032	89,667	45,900	378,208	73,698	16,936	-	615,441
Disposals/retirement	-	-	(3,464)	(3,794)	(900)	(13,443)	-	(21,601)
Reclassifications	637	(23,724)	-	32,965	(2,394)	(7,484)	-	-
December 31, 2023	303,765	1,484,206	354,722	7,155,326	596,376	28,114	-	9,922,509
Accumulated Impairment Losses								
December 31, 2022 and 2023	-	-	-	307,600	-	-	-	307,600
Carrying Amount								
December 31, 2022	P949,069	P1,183,274	P126,138	P1,985,718	P127,732	P53,473	P305,399	P4,730,803
December 31, 2023	P954,903	P1,199,456	P121,981	P1,966,501	P314,498	P108,385	P426,418	P5,092,142

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, 2023 and 2022.

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 P3,721,892 and P3,439,643 as at December 31, 2023 and 2022, respectively, which are still used in operations.

The Group sold various equipment for P784, P3,270 and 6,383 in 2023, 2022 and 2021, respectively. Accordingly, the Group recognized gains amounting to P784, P1,373 and P2,122 included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statements of income in 2023, 2022, and 2021, respectively.

The carrying amount of certain property and equipment retired from use amounted to nil, P2,413 and P67 as at December 31, 2023, 2022, and 2021, 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 recognized in the consolidated statements of income amounted to P615,441, P564,588 and P577,584 in 2023, 2022 and 2021, respectively (Notes 20, 21, 22 and 23). These amounts include annual amortization of capitalized interest amounting to P6,933, P6,825 and P6,779 in 2023, 2022 and 2021, respectively.

The Group has interest amounting to P10,754, P3,781 and P4,393 which was capitalized to machinery and equipment in 2023, 2022 and 2021, respectively (Note 25). The capitalization rates used to determine the amount of interest eligible for capitalization were 3.87%, 4.47% and 7.03% in 2023, 2022 and 2021, respectively. The capitalization rates are computed as the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period.

12. 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, 2022		P15,610	P264,748	P280,358
Additions	28	-	63,017	63,017
Retirement		-	(153,623)	(153,623)
December 31, 2022		15,610	174,142	189,752
Additions	28	11,315	31,430	42,745
Retirement		-	(97,157)	(97,157)
December 31, 2023		26,925	108,415	135,340
Accumulated Depreciation				
January 1, 2022		3,546	100,729	104,275
Depreciation	23	1,182	77,066	78,248
Retirement		-	(90,522)	(90,522)
December 31, 2022		4,728	87,273	92,001
Depreciation	23	2,753	35,218	37,971
Retirement		-	(45,410)	(45,410)
December 31, 2023		7,481	77,081	84,562
Carrying Amount				
December 31, 2022		P10,882	P86,869	P97,751
December 31, 2023		P19,444	P31,334	P50,778

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. The Group retired some of the leased assets in which it recognized gain on termination of lease amounted to P8,014 and P10,159 in 2023 and 2022, respectively which is included in "Others" in "Other income (charges) - net" account in the consolidated statements of income (Notes 26, 27 and 28).

13. 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 2% in 2023 and 2022, 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 8.6% and 11% in 2023 and 2022, 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.

14. Other Noncurrent Assets

Other noncurrent assets consist of:

	<i>Note</i>	2023	2022
Intangible assets - net		P27,792	P28,420
Security deposit	27, 31, 32	493	493
Deferred containers - net		-	1,764
Others	27	47,563	35,541
		P75,848	P66,218

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

	<i>Note</i>	2023	2022
Cost			
Balance at beginning of year		P43,262	P110,942
Additions		10,259	-
Retirement		-	(67,680)
Balance at end of year		53,521	43,262
Accumulated Amortization			
Balance at beginning of year		14,842	73,746
Amortization	23	10,887	8,776
Retirement		-	(67,680)
Balance at end of year		25,729	14,842
Carrying Amount		P27,792	P28,420

Amortization expense, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to P10,887, P8,776, and P6,084 in 2023, 2022 and 2021, respectively (Notes 22 and 23).

The movements in deferred containers - net are as follows:

	<i>Note</i>	2023	2022
Cost			
Balance at beginning of the year		P375,009	P375,009
Retirement		(375,009)	-
Balance at end of year		-	375,009
Accumulated Depreciation			
Balance at beginning of year		373,245	347,618
Depreciation	23	1,764	25,627
Retirement		(375,009)	-
Balance at end of year		-	373,245
Carrying Amount		P -	P1,764

Depreciation of deferred containers, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to P1,764, P25,627 and P32,743 in 2023, 2022 and 2021, respectively (Notes 22 and 23).

“Others” include advances to suppliers amounting to P47,286 and P35,279 as at December 31, 2023 and 2022, respectively, and lease receivables from related party amounting to P275 and P262 as at December 31, 2023 and 2022, respectively (Note 27).

In 2021, the Group disposed non-financial noncurrent assets and recognized a gain amounting to P3,528, included as part of “Gain (loss) on disposal/retirement of noncurrent assets - net” account in the consolidated statements of income.

15. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	2023	2022
Trade:			
Third parties		P4,272,722	P3,728,638
Related parties	27	1,330,005	1,649,641
Non-trade:			
Third parties		89,720	90,775
Related parties	27	1,186	1,180
Derivative liabilities	31, 32	476	70,065
	31, 32	P5,694,109	P5,540,299

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 32.

16. Loans Payable

On November 29, 2023, the Company obtained unsecured short-term peso-denominated borrowing from local bank for working capital requirements amounting to P1,000,000. The loan will mature on January 30, 2024 and bear an interest rate of 6.40%. On January 30, 2024, the loan was fully paid by the Company.

The interest expense on loans payable amounting to P5,511 in 2023 was capitalized to machinery and equipment (Note 11).

The Group’s exposure to interest rate and liquidity risks are discussed in Note 31.

17. Long-term Debt

Long-term debt consists of:

	Note	2023	2022
Fixed interest rate of 4.21% with maturities up to 2023		P -	P165,430
Less current maturities		-	165,430
	31, 32	P -	P -

The amount represents drawdown by the Company 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. On December 28, 2023, the loan was fully paid by the Company.

Unamortized debt issue costs amounted to nil and P1,236 as at December 31, 2023 and 2022, respectively.

The Company is in compliance with the covenants of the debt agreement as at December 31, 2022 (Note 31).

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

	Note	2023	2022
Balance at beginning of year		P165,430	P330,847
Changes from Financing Cash Flows			
Capitalized borrowing cost	11	5,243	3,781
Interest expense	25	-	8,626
Interest paid		(5,243)	(12,407)
Payments of borrowings		(166,666)	(166,667)
Total Changes from Financing Cash Flows		(166,666)	(166,667)
Amortization of debt issue cost		1,236	1,250
Balance at end of year		P -	P165,430

The movements in debt issue costs are as follows:

	Note	2023	2022
Balance at beginning of year		P1,236	P2,486
Amortization	25	(1,236)	(1,250)
Balance at end of year		P -	P1,236

Interest expense on existing and settled long-term debt amounted to nil, P8,626 and P15,219 in 2023, 2022 and 2021, respectively which is included as part of "Interest expense and other financing charges" account in the consolidated statements of income (Note 25).

Contractual terms of the Group's interest-bearing loans and exposure to interest rate and liquidity risks are discussed in Note 31.

18. Income Taxes

The components of income tax expense are shown below:

	2023	2022	2021
Current	P2,282,059	P1,519,957	P1,349,811
Deferred	36,961	(8,928)	31,921
	P2,319,020	P1,511,029	P1,381,732

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

2023	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Provision for impairment losses	P185,016	(P2,182)	P -	P182,834
Past service costs	73,363	8,024	-	81,387
Leases	36,264	295	-	36,559
Allowance for write-down of inventories	29,873	5,633	-	35,506
Net defined benefit retirement surplus	21,398	(13,070)	-	8,328
Various accruals	20,061	1,244	-	21,305
Derivative liabilities - net	16,857	(20,381)	-	(3,524)
Unrealized foreign exchange loss (gain) - net	7,028	(15,509)	-	(8,481)
NOLCO	121	31	-	152
MCIT	65	(23)	-	42
Unamortized capitalized borrowing costs	(3,660)	(1,023)	-	(4,683)
Equity reserve for retirement plan	138,577	-	74,773	213,350
	P524,963	(P36,961)	P74,773	P562,775

2022	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Provision for impairment losses	P182,475	P2,541	P -	P185,016
Past service costs	67,868	5,495	-	73,363
Leases	34,881	1,383	-	36,264
Allowance for write-down of inventories	35,732	(5,859)	-	29,873
Net defined benefit retirement surplus	33,968	(12,570)	-	21,398
Various accruals	19,064	997	-	20,061
Derivative liabilities - net	8,237	8,620	-	16,857
Unrealized foreign exchange loss (gain) - net	(665)	7,693	-	7,028
NOLCO	246	(125)	-	121
MCIT	73	(8)	-	65
Unamortized capitalized borrowing costs	(4,421)	761	-	(3,660)
Equity reserve for retirement plan	122,116	-	16,461	138,577
	P499,574	P8,928	P16,461	P524,963

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

	2023	2022
Amount charged to profit or loss	(P36,961)	P8,928
Amount charged to other comprehensive income	74,773	16,461
	P37,812	P25,389

As at December 31, 2023, 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
2022	P604	P -	P -	P604	2025
2023	156	-	-	156	2026
	P760	P -	P -	P760	

As at December 31, 2023, 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
2020	P36	(P36)	P -	P -	2023
2021	24	-	-	24	2024
2022	5	-	-	5	2025
2023	13	-	-	13	2026
	P78	(P36)	P -	P42	

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

	2023	2022	2021
Statutory income tax rate	25.00%	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Change in tax rate	-	-	(2.56%)
Interest income subject to final tax	(0.27%)	(0.10%)	(0.04%)
Others	(0.01%)	0.04%	2.45%
Effective income tax rate	24.72%	24.94%	24.85%

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 in 2021 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

19. 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 618 and 622 stockholders as at December 31, 2023 and 2022, respectively.

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

	2023	2022
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.

On December 1, 2020, as approved by the BOD of GSMI, 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 number of issued and outstanding shares of preferred stock are as follows:

	2023	2022
Issued shares	53,437,585	53,437,585
Less treasury shares	53,437,585	53,437,585
Outstanding shares	-	-

b. Treasury Shares

Treasury shares consist of:

	2023	2022	2021
Common	59,297,491	59,297,491	59,297,491
Preferred	53,437,585	53,437,585	53,437,585
	112,735,076	112,735,076	112,735,076

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 2023 and 2022.

c. Unappropriated Retained Earnings

The unappropriated retained earnings of the Company amounting to P3,669,973 in 2023 and 2022, representing the cost of common and preferred shares held in treasury is restricted for appropriation.

The Company's adjusted unrestricted retained earnings per SEC Revised Securities Regulation Code Rule 68 exceeds its paid-in capital as at December 31, 2023.

d. Appropriated Retained Earnings

On November 10, 2021, the 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 remaining appropriation of retained earnings from previous years amounted to P2,500,000. The purpose of this appropriation is for 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 since the project has been completed.

The Company has not made any other appropriation or restriction of its excess retained earnings as at December 31, 2023 and 2022.

e. *Dividend Declaration*

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

2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common-regular	March 8, 2023	March 24, 2023	April 12, 2023	P0.75
	May 9, 2023	May 24, 2023	June 7, 2023	0.75
	August 2, 2023	August 16, 2023	September 1, 2023	0.75
	November 8, 2023	November 22, 2023	December 7, 2023	0.75
Common-special	March 8, 2023	March 24, 2023	April 12, 2023	1.75
	May 9, 2023	May 24, 2023	June 7, 2023	1.75
	August 2, 2023	August 16, 2023	September 1, 2023	1.75
	November 8, 2023	November 22, 2023	December 7, 2023	1.75

2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common-regular	March 9, 2022	March 25, 2022	April 8, 2022	P0.375
	April 27, 2022	May 18, 2022	June 3, 2022	0.375
	August 3, 2022	August 19, 2022	September 2, 2022	0.375
	November 9, 2022	November 24, 2022	December 9, 2022	0.375
Common-special	March 9, 2022	March 25, 2022	April 8, 2022	1.00
	April 27, 2022	May 18, 2022	June 3, 2022	1.00
	August 3, 2022	August 19, 2022	September 2, 2022	1.00
	November 9, 2022	November 24, 2022	December 9, 2022	1.00

20. Cost of Sales

Cost of sales consist of:

	Note	2023	2022	2021
Taxes and licenses		P22,990,727	P19,919,823	P17,195,707
Inventories	7	15,454,336	13,967,463	12,638,837
Utilities and supplies		855,522	754,636	567,203
Personnel	24, 29	397,104	357,342	392,313
Depreciation and amortization	11, 12, 14, 23	371,854	292,698	290,128
Repairs and maintenance		269,847	175,737	265,058
Outside services		253,062	218,730	209,751
Tolling fees		178,735	150,574	154,135
Net provision (reversal) for write-down of inventories to net realizable value	7	29,586	(10,325)	-
Insurance		3,989	3,353	9,079
Rent	28	2,096	5,006	653
Freight, trucking and handling		686	5,899	19,457
Others		27,272	21,849	18,544
		P40,834,816	P35,862,785	P31,760,865

21. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	Note	2023	2022	2021
Advertising and promotions		P1,559,420	P1,479,808	P1,381,775
Delivery and marketing		1,149,900	967,880	797,918
Personnel	24, 29	418,885	407,377	500,918
Rent	28	116,639	117,119	98,605
Outside services		95,051	76,152	61,716
Repairs and maintenance		93,813	68,127	41,195
Depreciation and amortization	11, 12, 23	79,800	92,056	73,909
Utilities and supplies		69,884	73,551	48,856
Travel and transportation		44,060	30,520	21,282
Corporate special program		36,881	26,150	22,255
Research		27,812	40,428	31,682
Insurance		11,970	9,339	12,473
Others		11,851	8,966	8,025
		P3,715,966	P3,397,473	P3,100,609

22. General and Administrative Expenses

General and administrative expenses consist of:

	<i>Note</i>	2023	2022	2021
Personnel	24, 29	P1,002,892	P956,362	P1,070,330
Outside services	27	346,672	325,830	312,026
Depreciation and amortization	11, 12, 14, 23	214,409	292,485	315,569
Taxes and licenses		191,585	171,080	211,702
Corporate special program		134,964	94,557	119,505
Repairs and maintenance		130,174	73,671	83,856
Insurance		93,651	84,245	87,536
Utilities and supplies		60,046	50,952	44,608
Rent	28	33,208	14,078	34,677
Travel and transportation		30,499	15,025	10,461
Research		13,242	1,475	5,040
Net provision (reversal) for impairment losses	6	(292)	10,325	83,126
Others		1,929	3,839	1,309
		P2,252,979	P2,093,924	P2,379,745

23. Depreciation and Amortization

Depreciation and amortization consist of:

	<i>Note</i>	2023	2022	2021
Property, plant and equipment	11	P615,441	P564,588	P577,584
Right-of-use assets	12	37,971	78,248	63,195
Intangible assets	14	10,887	8,776	6,084
Deferred containers	14	1,764	25,627	32,743
		P666,063	P677,239	P679,606

Depreciation and amortization are distributed as follows:

	<i>Note</i>	2023	2022	2021
Cost of sales	20	P371,854	P292,698	P290,128
Selling and marketing expenses	21	79,800	92,056	73,909
General and administrative expenses	22	214,409	292,485	315,569
		P666,063	P677,239	P679,606

24. Personnel Expenses

Personnel expenses consist of:

	<i>Note</i>	2023	2022	2021
Salaries and wages		P1,126,363	P1,052,744	P987,510
Retirement costs	29	94,998	98,437	469,921
Other employee benefits		597,520	569,900	506,130
		P1,818,881	P1,721,081	P1,963,561

Personnel expenses are distributed as follows:

	<i>Note</i>	2023	2022	2021
Cost of sales	20	P397,104	P357,342	P392,313
Selling and marketing expenses	21	418,885	407,377	500,918
General and administrative expenses	22	1,002,892	956,362	1,070,330
		P1,818,881	P1,721,081	P1,963,561

25. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	<i>Note</i>	2023	2022	2021
Interest on defined benefit obligation - net	29	P40,833	P27,872	P15,158
Interest on loans payable	16	5,511	-	-
Interest on long-term debt	17	5,243	12,407	19,522
Interest on lease liabilities	28	5,218	9,259	11,231
Capitalized borrowing costs	11	(10,754)	(3,781)	(4,393)
Other financing charges	17	14,990	7,022	6,692
		P61,041	P52,779	P48,210

Amortization of debt issue costs included in "Other financing charges" amounted to P1,236 in 2023 and P1,250 in 2022 and 2021 (Note 17).

26. Other Income (Charges) - Net

Other income (charges) consist of:

	<i>Note</i>	2023	2022	2021
Income from transfer of rights		P1,530,295	P -	P -
Tolling fees - net		327,089	200,491	265,526
Sale of scrap materials		47,357	48,360	42,958
Rent income	28	172	172	172
Net foreign exchange gain (loss)	31	31,568	(28,131)	2,659
Net derivative gain (loss)	32	2,000	(241,801)	(96,759)
Others	6, 12	99,501	15,878	57,366
		P2,037,982	(P5,031)	P271,922

The Group recognized income from transfer of intellectual property rights on Don Papa to a third party amounting to P1,530,295 in 2023.

Others consists of gain on lease modifications, insurance claims and collection of miscellaneous receivables previously provided with allowance and refunds from electricity service provider.

27. 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 total consolidated assets based on its latest audited financial statements.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at December 31:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	2023	P -	P -	P5	P -	On demand;	Unsecured;
	2022	-	-	5	-	non-interest	no impairment
	2021	-	-	5	-	bearing	
Intermediate Parent Company	2023	12,201	485,309	8,690	28,457	On demand;	Unsecured;
	2022	48,370	250,306	5,298	14,278	non-interest	no impairment
	2021	22,851	254,215	13,801	33,148	Bearing	
Parent Company	2023	150	-	9	-	On demand;	Unsecured;
	2022	150	-	7	-	non-interest	no impairment
	2021	170	-	7	-	Bearing	
Under Common Control	2023	301,252	8,790,094	140,876	1,348,616	On demand;	Unsecured;
	2022	326,585	6,600,721	111,069	1,695,910	non-interest	with impairment
	2021	315,450	6,501,815	65,745	1,010,546	bearing	
Joint Venture	2023	39,740	-	-	1,934	On demand;	Unsecured;
	2022	-	201,821	-	1,951	Interest	with impairment
	2021	-	335,495	-	1,640	bearing	
Associate of the Intermediate Parent Company	2023	117,960	-	1,500,040	-	5 to 7 years	Unsecured;
	2022	363	-	1,500,006	-	Interest bearing	no impairment
	2021	608	-	83	-	On demand;	Unsecured;
Others	2023	521	-	1,184	-	On demand;	Unsecured;
	2022	1,714	-	269	-	non-interest	no impairment
	2021	1,624	-	1,522	-	bearing	
Total	2023	P471,824	P9,275,403	P1,650,804	P1,379,007		
Total	2022	P377,182	P7,052,848	P1,616,654	P1,712,139		
Total	2021	P340,703	P7,091,525	P81,163	P1,045,334		

- 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 12 and 28). Right-of-use assets and lease liabilities to related parties amounted to P42,238 and P47,816, respectively as at December 31, 2023 and P51,954 and P61,318, respectively as at December 31, 2022. Rent expense to related parties for short-term leases and leases of low-value assets recognized in the consolidated statements of income amounted to P41,254, P41,892 and P35,455 in 2023, 2022 and 2021, respectively. Amounts owed to related parties pertaining to these leases amounted to P49,002 and P62,498 as at December 31, 2023 and 2022, respectively, which includes deferred rent income amounted to P1,186 and P1,180 as at December 31, 2023 and 2022, respectively. Amounts owed by related parties include lease receivables presented under "Other noncurrent assets - net" account in the statements of financial position which amounted to P275 and P262 as at December 31, 2023 and 2022, respectively (Note 14).
- c. Management fees paid to SMC amounting to P203,939, P202,654 and P192,154 in 2023, 2022 and 2021, respectively, are included in "Outside services" account under "General and administrative expenses" (Note 22).
- d. 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 5.50% 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 - net" account in the consolidated statements of financial position (Note 6). Allowance for impairment losses pertaining to these non-trade receivables amounted to P540,216 as at December 31, 2023 and 2022.

The Company received interest amounting to P39,740 and nil in 2023 and 2022, respectively.

- e. Allowance for impairment losses pertaining to non-trade receivables of other related parties amounted to P132,203 as at December 31, 2023 and 2022 (Note 6).
- f. In 2022, the Group made investments in debt instruments at amortized cost to Bank interest rate of 6.90% and maturities up to seven years. Interest income earned from investments in debt instruments at amortized cost amounted to P117,564 and P5,331 in 2023 and 2022, respectively (Notes 10, 31 and 32).

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

	<i>Note</i>	2023	2022	2021
Short-term employee benefits		P69,763	P63,707	P53,668
Retirement costs	29	16,045	14,650	47,823
		P85,808	P78,357	P101,491

28. 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 in 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 in which 20% down payment was paid and the remaining balance shall be paid in ten (10) equal monthly amortizations which was fully paid as of December 31, 2021. The Group derecognized the carrying amount of right-of-use assets following the acquisition of these parcels of land from a related party in which it recognized gain on termination of lease amounted to P6,313 in 2021 which is included in "Others" in "Other income (charges) - net" account in the consolidated statements of income (Note 26).

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

	December 31, 2023		
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Within one year	P29,039	P3,243	P25,796
After one year but not more than five years	26,799	5,087	21,712
More than five years	10,264	1,374	8,890
	P66,102	P9,704	P56,398

	December 31, 2022		
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Within one year	P38,430	P5,463	P32,967
After one year but not more than five years	58,020	11,693	46,327
More than five years	34,636	5,188	29,448
	P131,086	P22,344	P108,742

The Group recognized interest expense related to these leases amounting to P5,218, P9,259 and P11,231 in 2023, 2022 and 2021, respectively (Note 25).

Changes in lease liabilities arising from financing activities are as follows:

	2023	2022
Balance at beginning of year	P108,742	P191,107
Changes from Financing Activities		
Interest expense	5,218	9,259
Payments of lease liabilities	(41,820)	(80,670)
Total Changes from Financing Activities	(36,602)	(71,411)
Other Changes	(15,742)	(10,954)
Balance at end of year	P56,398	P108,742

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 P151,943, P136,203 and P133,935 in 2023, 2022 and 2021, respectively (Notes 20, 21 and 22).

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

	<i>Note</i>	2023	2022	2021
Cost of sales	20	P2,096	P5,006	P653
Selling and marketing expenses	21	116,639	117,119	98,605
General and administrative expenses	22	33,208	14,078	34,677
		P151,943	P136,203	P133,935

The Group had total cash outflows for above leases amounted to P193,763 and P216,873 in 2023 and 2022, respectively.

Group as Lessor

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:

	2023	2022
Within one year	P168	P160
After one year but not more than five years	760	723
After five years	757	961
	P1,685	P1,844

Rent income recognized in the consolidated statements of income amounted to P172 in 2023, 2022 and 2021 (Note 26).

29. 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, 2023. 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 SMC.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Net Defined Benefit Retirement Liability	
	2023	2022	2023	2022	2023	2022
Balance at beginning of year	P1,177,102	P1,142,406	(P1,812,853)	(P1,764,326)	(P635,751)	(P621,920)
Recognized in Profit or Loss						
Current service costs	-	-	(94,998)	(98,437)	(94,998)	(98,437)
Interest expense	-	-	(130,489)	(86,996)	(130,489)	(86,996)
Interest income	89,656	59,124	-	-	89,656	59,124
	89,656	59,124	(225,487)	(185,433)	(135,831)	(126,309)

Forward

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Net Defined Benefit Retirement Liability	
	2023	2022	2023	2022	2023	2022
Recognized in Other Comprehensive Income						
Remeasurements						
Actuarial gains (losses) arising from:						
Experience adjustments	P -	P -	(P143,947)	(P94,031)	(P143,947)	(P94,031)
Changes in financial assumptions	-	-	(95,321)	170,020	(95,321)	170,020
Changes in demographic assumptions	-	-	(42,708)	(4,107)	(42,708)	(4,107)
Return on plan assets excluding interest income	(17,118)	(137,727)	-	-	(17,118)	(137,727)
	(17,118)	(137,727)	(281,976)	71,882	(299,094)	(65,845)
Others						
Contributions	189,785	178,323	-	-	189,785	178,323
Transfer to/ from other plans	-	(1,988)	-	1,988	-	-
Benefits paid	(52,821)	(63,036)	52,821	63,036	-	-
	136,964	113,299	52,821	65,024	189,785	178,323
Balance at end of year	P1,386,604	P1,177,102	(P2,267,495)	(P1,812,853)	(P880,891)	(P635,751)

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 P120,838, P111,545 and P420,189 in 2023, 2022 and 2021, respectively, while those charged by DBI amounted to P12,025, P11,555 and P57,315 in 2023, 2022 and 2021, respectively, and for EPSBPI amounted to P2,968, P3,209 and P7,575 in 2023, 2022 and 2021, respectively (Note 24).

The retirement costs are recognized in the following line items:

	Note	2023	2022	2021
Cost of sales	20	20,275	P21,575	82,183
Selling and marketing expenses	21	20,156	21,041	94,617
General and administrative expenses	22	54,567	55,821	293,121
Interest expense and other financing charges	25	40,833	27,872	15,158
	24	P135,831	P126,309	P485,079

Retirement liabilities recognized by GSMI amounted to P807,908 and P576,389 as at December 31, 2023 and 2022, respectively, while those recognized by DBI amounted to P60,980 and P49,203 as at December 31, 2023 and 2022, respectively, and by EPSBPI amounted to P12,003 and P10,159 as at December 31, 2023 and 2022, respectively.

The carrying amounts of the Group's retirement plan approximate fair values as at December 31, 2023 and 2022.

The Group's plan assets consist of the following:

	In Percentages	
	2023	2022
Investments in marketable securities	81.99	77.24
Investments in pooled funds:		
Fixed income portfolio	7.96	13.34
Others	10.05	9.42
	100.00	100.00

Investments in Marketable Securities

The Group's Retirement Plans recognized gain (loss) on the investment in marketable securities of SMC and its subsidiaries amounting to P25,439 and (P122,562) in 2023 and 2022, respectively.

Dividend income from the investment in marketable securities amounted to P21,918 and P17,065 in 2023 and 2022, respectively.

Interest income from the investment in marketable securities amounted to P26,699 and P18,169 in 2023 and 2022, 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 2023 and 2022.

Approximately 12.30% and 12.44% 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, 2023 and 2022, 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 P181,968 to the Retirement Plans in 2024.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) 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	
	2023	2022
Discount rate	6.54 - 6.58	7.18 - 7.20
Salary increase rate	5.00	5.00

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 10.93 and 9.97 years as at December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation			
	2023		2022	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P147,554)	P169,553	(P116,301)	P132,699
Salary increase rate	170,527	(150,951)	134,304	(119,647)

In 2023 and 2022, 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, 2023 and 2022.

30. Basic and Diluted Earnings Per Share

Basic and Diluted Earnings Per Share is computed as follows:

	2023	2022	2021
Net income	P7,045,867	P4,547,222	P4,178,939
Less: Dividends on preferred shares	-	-	546
Net income available to common shares (a)	P7,045,867	P4,547,222	P4,178,393
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)	P24.61	P15.88	P14.59

31. Financial Risk and Capital Management, Objectives and Policies

Objectives and Policies

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

- Market Risk (Interest Rate Risk and Foreign Currency 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, investment in debt instruments at amortized cost, loans payable, 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 and deposits, accounts payable and accrued expenses and 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 to borrowings and investment securities. Investment securities acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

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, 2023	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 7 Years
Financial Asset					
Investment in debt instruments at amortized cost	P -	P -	P -	P -	P1,500,000
Interest rate	-	-	-	-	6.90%
Financial Liability					
Loans payable	1,000,000	-	-	-	-
Interest rate	6.40%	-	-	-	-
<hr/>					
December 31, 2022	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 7 Years
Financial Asset					
Investment in debt instruments at amortized cost	P -	P -	P -	P -	P1,500,000
Interest rate	-	-	-	-	6.90%
Financial Liability					
Loans payable	166,666	-	-	-	-
Interest rate	4.21%	-	-	-	-

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, 2023		December 31, 2022	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	\$1,677	P92,870	\$23,370	P1,302,982
Trade and other receivables	1,165	64,493	687	38,311
Liabilities				
Accounts payable and accrued expenses	(2,113)	(116,977)	(458)	(25,557)
<hr/>				
Foreign currency-denominated monetary assets and liabilities	\$729	P40,386	\$23,599	P1,315,736

The Group reported net gain (losses) on foreign exchange amounting to P31,568, (P28,131) and P2,659 in 2023, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets (Note 26). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

US Dollar to Philippine Peso	
December 31, 2023	55.370
December 31, 2022	55.755
December 31, 2021	50.999

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity:

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
December 31, 2023				
Cash and cash equivalents	(P1,677)	(P1,258)	P1,677	P1,258
Trade and other receivables	(1,165)	(873)	1,165	873
Accounts payable and accrued expenses	2,113	1,584	(2,113)	(1,584)
	(P729)	(P547)	P729	P547
	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
December 31, 2022				
Cash and cash equivalents	(P23,370)	(P17,527)	P23,370	P17,527
Trade and other receivables	(687)	(515)	687	515
Accounts payable and accrued expenses	458	343	(458)	(343)
	(P23,599)	(P17,699)	P23,599	P17,699

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.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P9,881,018	P9,881,018	P9,881,018	P -	P -	P -
Trade and other receivables - net*	1,518,341	1,518,341	1,518,341	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	14,572	14,572	14,572	-	-	-
Investment in debt instruments at amortized cost	1,500,000	1,904,706	10,961	87,687	263,060	1,542,998
Security deposit (included under "Trade and other receivables" and "Other noncurrent assets - net" accounts)	503	503	10	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	5,688,925	5,688,925	5,688,925	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	476	476	476	-	-	-
Loans payable	1,000,000	1,005,156	1,005,156	-	-	-
Long-term debt (including current maturities)	-	-	-	-	-	-
Lease liabilities (including current portion)	56,398	66,102	28,724	14,097	13,017	10,264

* Excluding tax certificate receivables and security deposit amounted to P59,485 and P10, respectively as at December 31, 2023 and 2022 (Note 6).

**Deferred rent income amounted to P1,186 as at December 31, 2023 (Notes 15 and 27).

***Payable to a government agency amounted to P3,522 as at December 31, 2023 (Note 15).

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P5,457,277	P5,457,277	P5,457,277	P -	P -	P -
Trade and other receivables - net*	1,173,442	1,173,442	1,173,442	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	2,638	2,638	2,638	-	-	-
Investment in debt instruments at amortized cost	1,500,000	1,992,393	87,687	87,687	263,060	1,553,959
Security deposit (included under "Trade and other receivables" and "Other noncurrent assets - net" accounts)	503	503	10	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	5,467,186	5,467,186	5,467,186	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	70,065	70,065	70,065	-	-	-
Long-term debt (including current maturities)	165,430	171,930	171,930	-	-	-
Lease liabilities (including current portion)	108,742	131,085	38,430	29,859	28,160	34,636

*Excluding tax certificate receivables and security deposit amounted to P62,327 and P10, respectively as at December 31, 2022 (Note 6).

**Deferred rent income amounted to P1,180 as at December 31, 2022 (Notes 15 and 27).

***Payable to a government agency amounted to P1,868 as at December 31, 2022 (Note 15).

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

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.

Investment in Debt Instruments

The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Credit Quality

In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised 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 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	2023	2022
Cash and cash equivalents*	5	P9,878,439	P5,455,812
Trade and other receivables - net**	6	1,518,341	1,173,442
Investment in debt instruments at amortized cost	10	1,500,000	1,500,000
Derivative assets	8	14,572	2,638
Security deposit	14	503	503
		P12,911,855	P8,132,395

*Excluding cash on hand amounted to P2,579 and P1,465 as at December 31, 2023 and 2022, respectively.

** Excluding tax certificate receivables amounted to P59,485 and P62,327 as at December 31, 2023 and 2022, respectively and security deposit amounted to P10 as at December 31, 2023 and 2022 (Note 6).

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.

December 31, 2023					
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)*	P9,878,439	P -	P -	P -	P9,878,439
Trade and other receivables**	-	1,518,341	682,567	-	2,200,908
Derivative assets	-	-	-	14,572	14,572
Investment in debt instruments at amortized cost	1,500,000	-	-	-	1,500,000
Security deposit	-	503	-	-	503

* Cash on hand amounted to P2,579 as at December 31, 2023 (Note 5).

**Excluding tax certificate receivables and security deposit amounted to P59,485 and P10, respectively as at December 31, 2023 (Note 6).

December 31, 2022					
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)*	P5,455,812	P -	P -	P -	P5,455,812
Trade and other receivables**	-	1,173,442	691,293	-	1,864,735
Derivative assets	-	-	-	2,638	2,638
Investment in debt instruments at amortized cost	1,500,000	-	-	-	1,500,000
Security deposit	-	503	-	-	503

* Cash on hand amounted to P1,465 as at December 31 2022 (Note 5).

**Excluding tax certificate receivables and security deposit amounted to P62,327 and P10, respectively as at December 31, 2022 (Note 6).

The aging of receivables is as follows:

December 31, 2023	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P1,210,794	P115,186	P63,515	P1,389,495
Past due:				
1 - 30 days	79,973	606	7,786	88,365
31 - 60 days	2,931	-	16,763	19,694
61 - 90 days	936	294	1,769	2,999
Over 90 days	4,224	22,862	673,269	700,355
	P1,298,858	P138,948	P763,102	P2,200,908

December 31, 2022	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P880,900	P58,536	P60,088	P999,524
Past due:				
1 - 30 days	79,113	109	14,585	93,807
31 - 60 days	2,506	190	226	2,922
61 - 90 days	2,417	188	157	2,762
Over 90 days	8,505	97,959	659,256	765,720
	P973,441	P156,982	P734,312	P1,864,735

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 counterparty during the year.

The Group's cash and cash equivalents, derivative assets and investment in debt instruments at amortized cost are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and 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 Company is required to comply with the capital requirements under the interest-bearing loan drawn from a local bank on December 28, 2020 (Note 17). The 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 Company complied with the above requirements in 2022 with a debt-to-equity ratio of 0.011 as at December 31, 2022 and EBITDA to interest coverage ratio of 539.14 as at December 31, 2022.

The Company is also required to comply with non-financial covenants under the said interest-bearing loan in which the Company complied with in 2022.

32. 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, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P9,881,018	P9,881,018	P5,457,277	P5,457,277
Trade and other receivables - net*	1,518,341	1,518,341	1,173,442	1,173,442
Derivative assets (included under "Prepaid expenses and other current assets" account)	14,572	14,572	2,638	2,638
Investment in debt instruments at amortized cost	1,500,000	1,500,000	1,500,000	1,500,000
Security deposit (included under "Trade and other receivables - net" and "Other noncurrent assets - net" accounts)	503	503	503	503
Financial Liabilities				
Accounts payable and accrued expenses (excluding derivative liabilities, deferred rent income** and payable to a government agency***)	5,688,925	5,688,925	5,467,186	5,467,186
Loans payable	1,000,000	1,000,000	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	476	476	70,065	70,065
Long-term debt (including current maturities)†	-	-	165,430	165,518

*Excluding tax certificate receivables amounted to P59,485 and P62,327 as at December 31, 2023 and 2022, respectively and security deposit amounted to P10 as at December 31, 2023 and 2022 (Note 6).

**Deferred rent income amounted to P1,186 and P1,180 as at December 31, 2023 and 2022, respectively (Notes 15 and 27).

***Payable to a government agency amounted to P3,522 and P1,868 as at December 31, 2023 and 2022, respectively (Note 15).

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, Investment in Debt Instruments at Amortized Cost and Security Deposit. 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 investment in debt instruments at amortized cost and security deposit, 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.

Loans Payable, Accounts Payable and Accrued Expenses. The carrying amount of loans payable and 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 4.22% to 5.21 as at December 31, 2022. The carrying amounts of fixed rate approximate their fair values.

Derivative Financial Instruments

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\$27,939 and US\$29,651 as of December 31, 2023 and 2022, 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 P14,096 and (P67,427) as at December 31, 2023 and 2022, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to P2,000, (P241,801) and (P96,759) in 2023, 2022 and 2021, respectively (Note 26).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	Note	2023	2022
Balance at beginning of year		(P67,427)	(P32,949)
Net change in fair value of non-accounting hedges	26	2,000	(241,801)
		(65,427)	(274,750)
Less fair value of settled instruments		(79,523)	(207,323)
Balance at end of year		P14,096	(P67,427)

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, 2023			December 31, 2022		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P14,572	P14,572	P -	P2,638	P2,638
Financial Liabilities						
Derivative liabilities	-	(476)	(476)	-	(70,065)	(70,065)

The Group has no financial instruments valued based on Level 1 and Level 3 as at December 31, 2023 and 2022. In 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

33. Events After the Reporting Date

Declaration of Cash Dividends

On March 6, 2024, the BOD approved the declaration of regular and special cash dividends to all common shareholders of record as of March 21, 2024 amounting to P0.750 and P1.750 per common share, respectively. Cash dividends for common shares, both regular and special are payable on April 11, 2024.

34. 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 as at December 31, 2023 and 2022.

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" or "JMVC"), 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, 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.

As there was no appeal filed by Josefina to the Court of Appeals, the Decision of the SEC En Banc is already considered as final.

- Tax Cases Pending with the Court of Tax Appeals (CTA)

*Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue SC G.R. No. 271363
CTA En Banc Case No. 2544 and 2555 (Consolidated)
CTA Case Nos. 8953 and 8954 (Consolidated)*

These cases pertain to GSMI's Claims for Refund with the BIR, in the amount 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 its 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 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 February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division. and the same was docketed as CTA E.B. No. 2544.

On March 28, 2022, the CTA En Banc ordered the Parties to file their respective Comments/Oppositions to the Petitions for Review. On April 7, 2022, GSMI filed a Motion for Extension of Time to File Comment on the Petition for Review in CTA EB No. 2544.

On April 21, 2022, GSMI filed its Comment on the Petition for Review in CTA EB No. 2544. On May 30, 2022, the Court En Banc promulgated a Resolution which denied GSMI's Motion for Extension and submitted the Petitions for Review for decision. On June 13, 2022, GSMI filed its Motion for Reconsideration assailing the said Resolution.

On October 4, 2022, the Court En Banc promulgated a Resolution which set aside the May 30, 2022 Resolution insofar as the Petitions for Review were submitted for decision. The Resolution likewise directed the CIR to file a Comment to GSMI's Motion for Reconsideration, to which the CIR failed despite due notice.

On January 18, 2023, the CTA En Banc granted GSMI's Motion for Extension of Time to File Comment on the Petition for Review in CTA E.B. No. 2544 and admitted GSMI's Comment as part of the records of the case.

In a Decision dated January 18, 2024 received by GSMI on January 23, 2024, the CTA En Banc denied both the Petitions for Review of GSMI and the CIR, and affirmed the Amended Decision of the CTA Third Division dated October 28, 2021 awarding GSMI a partial refund of P319,755 only.

GSMI had fifteen (15) days from January 23, 2024, or until February 7, 2024, within which to file a Petition for Review on Certiorari with the Supreme Court. On January 30, 2024, GSMI filed a Motion for Extension of Time to File Petition for Review on Certiorari, praying for an extension of thirty (30) days from February 7, 2024, or until March 8, 2024 within which to file a Petition for Review on Certiorari.

On March 4, 2024, GSMI filed with the Supreme Court a Petition for Review on Certiorari dated March 1, 2024, and the same was docketed as SC G.R. No. 271363.

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA Case No. 11052
CTA Third Division

This case is a judicial claim for refund of alleged deficiency taxes paid under protest by GSMI in connection with its removals of alcohol products for the period covering January 23, 2020 to February 9, 2020, in the aggregate amount of P66,370.

On July 22, 2020, GSMI received a Notice of Discrepancy dated July 6, 2020 issued by the BIR (the "Original NOD"), which enjoined GSMI to pay alleged deficiency excise taxes in the amount of P39,579, inclusive of interests, for the period covering January 27, 2020 to February 9, 2020.

On August 6, 2020, GSMI submitted to the BIR its Letter-Reply to the Original NOD, where it emphasized that it is not liable to pay the alleged deficiency excise tax liability, and thus, requested its cancellation and withdrawal.

On October 13, 2020, GSMI received from the BIR a Letter dated September 18, 2020 with an attached Amended Notice of Discrepancy, which modified the amount of the alleged deficiency excise tax liability to P71,710, inclusive of interests, for the period covering January 23, 2020 to February 9, 2020.

On October 28, 2020, GSMI submitted to the BIR its Letter-Reply to the Amended NOD, where it reiterated its position that it is not liable for the alleged deficiency excise taxes.

On November 11, 2020, GSMI received from the BIR a Letter dated November 6, 2020 which reiterated the finding of alleged deficiency excise tax under the Amended NOD.

On December 29, 2020, GSMI paid under protest the amount of P66,370, representing the deficiency excise tax portion under the Amended NOD, through the BIR Electronic Filing and Payment System (eFPS).

On January 8, 2021, GSMI submitted to the BIR a Letter-Reply to the BIR's Letter dated November 6, 2020. GSMI reiterated its position that it is not liable for the alleged deficiency excise tax liability under the Amended NOD and informed the BIR that it paid under protest the amount of P66,370 through eFPS on December 29, 2020. In the same Letter-Reply, GSMI explained that with respect to the assessed penalties from the alleged late payment of the deficiency excise tax, it would avail the remedies available under Revenue Regulations No. 13-2001, as amended.

On July 16, 2021, GSMI received a copy of Letter of Authority (LOA) No. LOA-121-2021-00000109 dated July 1, 2021 issued by the BIR, authorizing its revenue officers to examine GSMI's books of accounts and other accounting records for all internal revenue taxes except for value-added tax for taxable year 2020.

On August 3, 2021, GSMI filed with the CIR an administrative claim for refund of the erroneously or illegally collected deficiency excise tax for the period covering January 23, 2020 to February 9, 2020, in the amount of P66,370, which GSMI paid under protest on December 29, 2020.

On March 7, 2022, the BIR issued a letter notifying GSMI on the transmittal of the entire docket to CIR's Legal Service Division for its resolution and issuance of a clarificatory ruling on the administrative claim for refund.

Prior to the expiry of the two-year statutory period to file judicial action for the recovery of erroneously or illegally collected internal revenue taxes, GSMI filed a Petition for Review with the CTA on December 28, 2022 pursuant to Section 204(C) and 229, Tax Code, and Section 3(a), Rule 8, Revised Rules of the Court of Tax Appeals (RRCTA) in order to preserve its right to claim by judicial action its claims for refund of its erroneously or illegally collected deficiency excise taxes, in connection with its removals of alcohol products for the period covering January 23, 2020 to February 9, 2020.

The case was docketed as CTA Case No.11052, and was raffled to the CTA's First Division. In a Resolution dated May 29, 2023, the CTA First Division ordered the transfer of the case to the CTA Third Division.

Upon service of Summons to the CIR and the filing of the CIR's Answer dated March 24, 2023, pre-trial conference was held on 26 July 2023. Pursuant to the CTA's Order, the parties filed their Joint Stipulation of Facts and Issues on August 29, 2023. Pre-trial was terminated upon the issuance of the CTA's Pre-Trial Order on September 5, 2023.

GSMI presented its lone witness during the hearing on October 4, 2023. At the same hearing, the CTA ordered GSMI to file its Formal Offer of Evidence (FOE) within 10 days therefrom, or not later than October 13, 2023.

GSMI filed its FOE on October 13, 2023. Respondent CIR filed his Comment with Manifestation on GSMI's FOE on November 17, 2023. Respondent CIR's counsel manifested that they will no longer present testimonial evidence since there was no report of the investigation on GSMI's refund claim forwarded to their office.

On January 25, 2024, GSMI received the CTA's Resolution dated January 23, 2024, which admitted its Exhibits "P-1" to "P-17" and "P-19" to "P-21", inclusive of sub-markings. Moreover, the CTA's Resolution noted the manifestation of Respondent CIR that he will no longer present evidence, constraining the CTA to direct the parties to submit their respective memorandum within thirty (30) days from receipt of the Resolution.

GSMI filed its Memorandum on February 23, 2024. The case is now submitted for resolution.

- 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 6 February 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 10, 2021, GSMI elevated the Decision of the CTA En Banc to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 257839.

- 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 (IPOP HL). The IPOP HL 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 IPOP HL'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 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 IPOP HL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. No. 196372, GSMI's Petition for Review was granted. The Director of the Bureau of Trademarks was directed to reinstate GSMI's trademark application for "GINEBRA", cause its publication and give it due course.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated August 9, 2022. On August 29, 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

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 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 GSMI 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 IPOP HL which involve GSMI's claim over "GINEBRA".

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

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. Nos. 210224 and 219632, TDI's Petitions for Review were denied, with modification, such that TDI shall pay GSMI temperate damages of P300 and attorney's fees of P200; other awards of damages against TDI are deleted.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated August 9, 2022. On August 29, 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

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 IPOP HL.

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 IPOP HL 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 IPOP HL'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 "Tanduy 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 IPOP HL which involve GSMI's claim over "GINEBRA".

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

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For, G.R. No. 216104, TDI's Petition for Review for the rejection of TDI's trademark application for "GINEBRA KAPITAN" was denied.

On April 17, 2023, GSMI received a copy of TDI's Motion for Reconsideration of the Decision dated 9 August 2022. On August 29, 2023, the Supreme Court En Banc issued a Resolution which denied with finality the Motion for Reconsideration filed by TDI in the consolidated Petitions.

b. *Commitments*

The outstanding purchase commitments of the Group amounted to P9,736,102 (US\$175,837), P6,794,293 (US\$121,860) and P4,698,981 (US\$92,138) as at December 31, 2023, 2022 and 2021, respectively.

c. *Effect of COVID-19*

The year 2022 was a year of economic recovery which saw business operations once again opening up, while the challenges of COVID-19 still remained throughout the year. Commercial activities have started to pick up as COVID-19 quarantine restrictions were relatively lighter compared to 2020.

The Group has not been significantly affected by the COVID-19 outbreak based on the results of the Group's financial performance for the years ended December 31, 2023, 2022 and 2021.

d. *Uncertainty Due to Russia-Ukraine Conflict*

The ongoing conflict between Russia and Ukraine has no direct effect to the Group. The extent to which the ongoing conflict will affect the Group will depend on future developments, including the actions and decisions taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 6, 2024.

The Group's total gas and oil is higher by 16% and 41% in 2023 and 2022, respectively.

e. *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 P1.622 and P1.617 in 2023 and 2022, respectively, for consolidated statements of financial position accounts; and average rates of P1.601, P1.600 and P1.499 in 2023, 2022 and 2021, respectively, for income and expense accounts.



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
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 Floors, San Miguel Properties Center
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 years ended December 31, 2023 and 2022, on which we have rendered our report dated April 8, 2024.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2025
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements. In our opinion, the supplementary information 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

CPA License No. 0108855

Tax Identification No. 225-068-761

BIR Accreditation No. 08-000745-041-2023

Issued October 9, 2023, valid until October 9, 2026

PTR No. MKT 10075208

Issued January 2, 2024 at Makati City

April 8, 2024

Makati City, Metro Manila

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

GINEBRA SAN MIGUEL INC.

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

Unappropriated Retained Earnings, beginning of the reporting period	P7,273,005
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings	
Dividend declaration during the reporting period	2,863,278
Unappropriated Retained Earnings, as adjusted	4,409,727
Add: Net Income for the current year	6,974,497
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	P1,932
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	55,376
Sub-total	57,308
Adjusted Net Income	11,326,916
Add: Category F: Other items that should be excluded from the determination of the amount of available for dividend distribution	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	18,992
Total Retained Earnings, end of the reporting period available for dividend	P11,345,908



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, on which we have rendered our report dated April 8, 2024.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J

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



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

Tax Identification No. 225-068-761

BIR Accreditation No. 08-000745-041-2023

Issued October 9, 2023, valid until October 9, 2026

PTR No. MKT 10075208

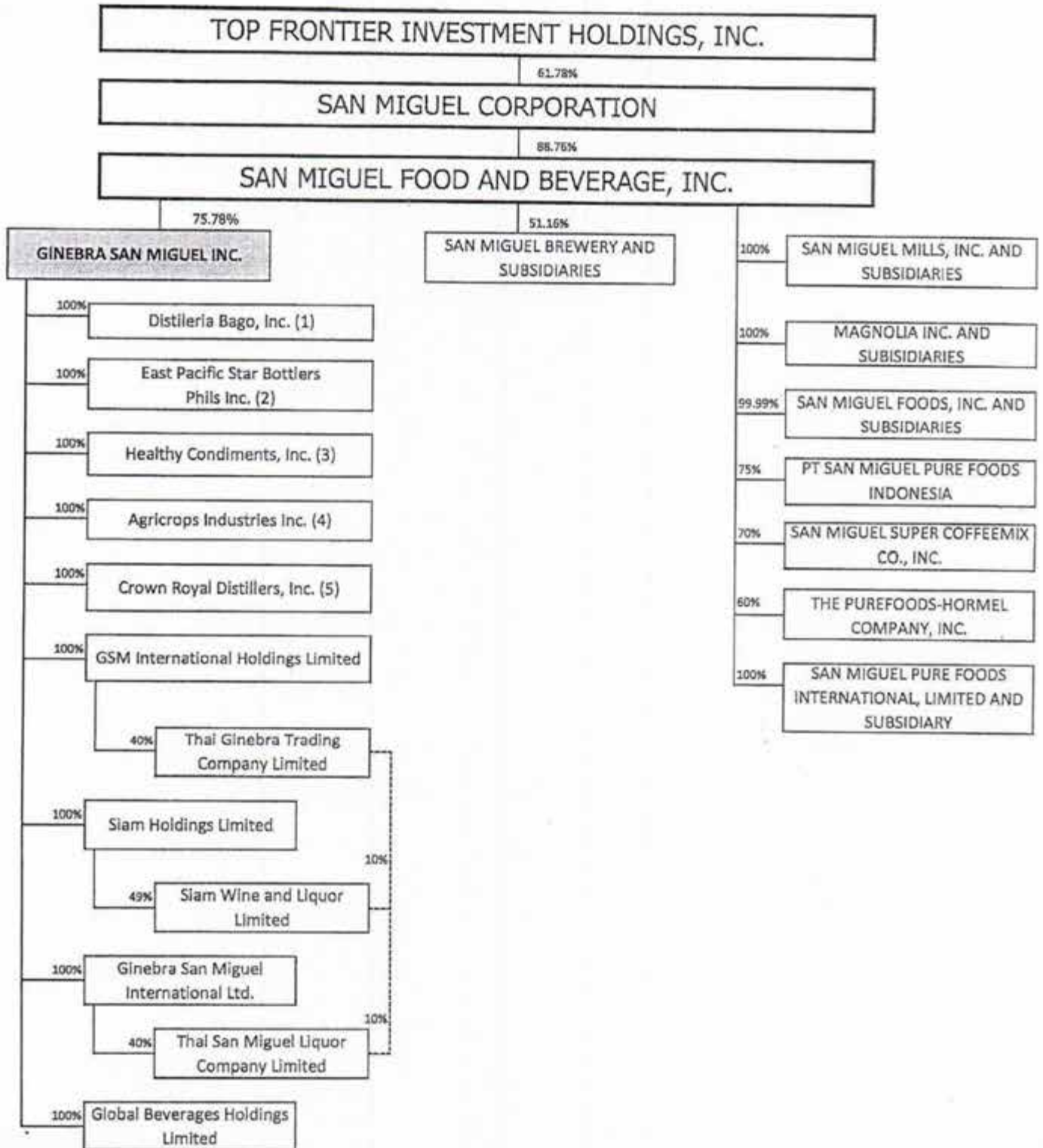
Issued January 2, 2024 at Makati City

April 8, 2024

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.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
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for the years ended December 31, 2023 and 2022

Consolidated Statements of Income

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Consolidated Statements of Comprehensive Income

for the years ended December 31, 2023, 2022 and 2021

Consolidated Statements of Changes in Equity

for the years ended December 31, 2023, 2022 and 2021

Consolidated Statements of Cash Flows

for the years ended December 31, 2023, 2022 and 2021

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Report of Independent Auditors on Supplementary Schedules

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
C. Amounts Receivable/Payable from Related Parties which are Eliminated during the Consolidation of Financial Assets	ANNEX 68-J-3
D. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)	Not applicable
E. Guarantees of Securities of Other Issuers	Not applicable
F. Capital Stock	ANNEX 68-J-7

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule A.

Financial Assets
December 31, 2023
(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, 2023	Income Received and Accrued
Cash and cash equivalents	P 9,881,018	P 9,881,018	P (434,790)
Trade and other receivables - net	1,518,341	1,518,341	-
Derivative assets	14,572	14,572	-
Investment in debt instruments at amortized cost	1,500,000	1,500,000	(117,564)
Security deposit	503	503	-
	<u>P 12,914,434</u>	<u>P 12,914,434</u>	<u>P (552,354)</u>

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule B. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Assets
December 31, 2023
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE		ADDITIONS		AMOUNTS COLLECTED		AMOUNTS WRITTEN OFF		TOTAL		CURRENT		NONCURRENT		ENDING BALANCE	
	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Distileria Bago, Inc.		473		147,408		(147,349)			532	532					532	532
East Pacific Star Bottlers Phils Inc.		631,877		4,497		(4,117)			632,257	609			631,648		632,257	632,257
Agricrops Industries, Inc.		19,678		832		(1,399)			19,111	747			18,364		19,111	19,111
Healthy Condiments, Inc.		3,436		-		-			3,436	-			3,436		3,436	3,436
Global Beverages Holdings Ltd.		65,784		-		-			65,784	-			65,784		65,784	65,784
Siam Holdings Ltd.		91,512		-		-			91,512	-			91,512		91,512	91,512
	P	<u>812,760</u>	P	<u>152,737</u>	P	<u>(152,865)</u>	P	<u>-</u>	<u>812,632</u>	<u>1,888</u>	P	<u>1,888</u>	<u>810,744</u>	P	<u>812,632</u>	<u>812,632</u>

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule C. Amounts Payable to Related Parties which are Eliminated
during the Consolidation of Financial Liabilities
December 31, 2023
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Distileria Bago, Inc.	P (145,703)	(1,279,291)	1,253,709	-	(171,285)	P (167,852)	P (3,433)	P (171,285)
East Pacific Star Bottlers Phils Inc.	(97,180)	(480,386)	535,150	-	(42,416)	(42,416)	-	(42,416)
Crown Royal Distillers Inc.	(93,750)	-	-	-	(93,750)	-	(93,750)	(93,750)
	P (336,633)	P (1,759,677)	P 1,788,859	P -	P (307,451)	P (210,268)	P (97,183)	P (307,451)

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule F. Capital Stock
As of December 31, 2023

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	194,500	69,161,341
	560,000,000	286,327,841	-	216,972,000	194,500	69,161,341



R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS 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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, on which we have rendered our report dated April 8, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code 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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

R.G. MANABAT & CO.


MARIA ARLEENE C. YU
Partner

CPA License No. 0108855
Tax Identification No. 225-068-761
BIR Accreditation No. 08-000745-041-2023
Issued October 9, 2023, valid until October 9, 2026
PTR No. MKT 10075208
Issued January 2, 2024 at Makati City

April 8, 2024
Makati City, Metro Manila

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

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, 2023 and 2022 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2023 and 2022 for operating efficiency ratios.

	December 31	
	2023	2022
Liquidity:		
Current Ratio	2.41	2.26
Acid Test Ratio	1.36	1.04
Solvency:		
Debt to Equity Ratio	0.51	0.50
Asset to Equity Ratio	1.51	1.50
Solvency Ratio	2.96	3.01
Profitability:		
Return on Stockholders' Equity	36%	31%
Return on Assets	21%	21%
Net Profit Margin	11%	10%
Interest Rate Coverage Ratio	119.78	113.84
Operating Efficiency:		
Volume Growth	4%	7%
Revenue Growth	13%	11%
Operating Margin	13%	13%

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	$\frac{\text{Current Assets} - \text{Inventories} - \text{Prepaid taxes and other current assets}}{\text{Current Liabilities}}$
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
AGING OF ACCOUNTS RECEIVABLES
AS OF DECEMBER 31, 2023

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	1,314,194	1,217,804	82,045	7,290	1,654	5,402
Less: Allowance for Doubtful Accounts	(9,768)	(7,425)	(958)	-	-	(1,385)
NET TRADE RECEIVABLES	1,304,426	1,210,379	81,087	7,290	1,654	4,017
b). Non-Trade Receivables	886,714	171,701	6,318	12,405	1,336	694,954
Less: Allowance for Doubtful Accounts	(672,799)	-	-	-	-	(672,799)
NET NON-TRADE RECEIVABLES	213,915	171,701	6,318	12,405	1,336	22,155
NET RECEIVABLES P	1,518,341	1,382,080	87,405	19,695	2,990	26,171

GINEBRA SAN MIGUEL INC.
2023 Reports on SEC Form 17-C

DATE REPORTED	SUBJECT
March 8, 2023	<p>We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the “Board” and the “Company”) held on March 8, 2023:</p> <p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>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, 2022 and the submission thereof to the Securities and Exchange Commission, The Philippine Stock Exchange, Inc. and Bureau of Internal Revenue.</p> <p>2. The Board approved the schedule, venue and agenda of the 2023 Regular Stockholders’ Meeting, as follows:</p> <p style="padding-left: 20px;">a. Schedule</p> <p style="padding-left: 40px;">Date and time of the 2023 Regular Stockholders’ Meeting: May 25, 2023 at 2:00 P.M. Record date of stockholders entitled to vote at the said meeting: April 21, 2023 Closing of stock and transfer books: April 22 to 26, 2023 Deadline for the submission of proxies: May 11, 2023 Validation of proxies: May 19, 2023</p> <p style="padding-left: 20px;">b. Venue</p> <p style="padding-left: 40px;">Via remote communication and livestreamed at the Company’s website, http://www.ginebrasanmiguel.com.</p> <p style="padding-left: 20px;">c. Agenda</p> <ol style="list-style-type: none"> 1. Call to Order/Certification of Notice and Quorum 2. Approval of the Minutes of the Regular Stockholders’ Meeting held on May 26, 2022 3. Presentation of the 2022 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 <p style="padding-left: 40px;">The Board also approved the grant of authority to the stockholders to participate and vote in the Regular Stockholders Meeting through remote communication or in absentia, as circumstances may warrant, subject to the rules and regulations</p>

	<p>provided under SEC Memorandum Circular 6, Series of 2020, the Revised Corporation Code, and other applicable laws and regulations, in the light of the on-going public health concern relating to the COVID-19 pandemic.</p> <p>3. The Board approved the declaration of cash dividends to holders of common shares as follows:</p> <ul style="list-style-type: none"> a) First Quarter regular dividend in the amount of Php 0.75 per common share; and b) Special dividend in the amount of Php 1.75 per common share. <p>The foregoing cash dividends shall be paid on April 12, 2023, to all holders of common shares of record as of March 24, 2023. The stock and transfer book of the Company will be closed from March 25 to 29, 2023.</p> <p>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 2023 during the Regular Stockholders' Meeting scheduled on May 25, 2023.</p> <p>5. Lastly, the Board likewise approved the 2023 Material Related Party Transactions of the Company with San Miguel Yamamura Corporation and SMC Shipping and Lighterage Corporation.</p>
<p>March 13, 2023</p>	<p>Please see attached press release entitled "GSMI net income up 9% to P4.5 billion, sustains lead in hard liquor market".</p>
<p>April 19, 2023</p>	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>Pursuant to the directive of the Securities and Exchange Commission ("SEC"), we write to inform the Philippine Stock Exchange Inc. that we received today, April 19, 2023, the letter of the Market and Securities Regulation Department of the SEC ("SEC MSRD") dated April 18, 2023 advising Ginebra San Miguel Inc. (the "Company") that the SEC MSRD has GRANTED the request of the Company for exemptive relief from the requirement under Rule 68 of the Revised Securities Regulation Code ("Revised SRC Rule 68") that the interim financial statements of the Company for the first quarter of 2023 (the "2023 Q1 Reports") be attached to the Definitive Information Statement (the "DIS") for its 2023 Regular Stockholders' Meeting scheduled on May 25, 2023 and the release of the DIS without the 2023 Q1 Reports.</p> <p>The SEC MSRD found merit in the justification of the Company that the 2023 Q1 Reports would not yet be available by the time of the mandated dissemination of the DIS by May 4, 2023. The SEC MSRD also recognized that the deadline for the filing of the 2023 Q1 Reports is on May 15, 2023 and the Company was obliged to apply for exemption to ensure that it would not violate applicable laws and rules and it would be able to distribute the DIS within the period required by its By-Laws, 2015 SRC IRR and Manual of Corporate Governance. The Company was however advised that a request for a similar exemptive relief for any future annual stockholders' meeting will no longer be granted and was reminded to comply with the requirements of the Revised SRC Rule 68.</p>

<p>May 8, 2023</p>	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>In compliance with the letter dated April 18, 2023 of the Markets and Securities Regulation Department (“MSRD”) of the Securities and Exchange Commission (“SEC”), we submit copies of the following Affidavits:</p> <ol style="list-style-type: none"> 1. Affidavit of Publication from the Philippine Star with newspaper clippings and screen captures of online publication dated May 2 and May 3, 2023; and 2. Affidavit of Publication from Manila Bulletin with newspaper clippings and screen captures of online publication dated May 2 and May 3, 2023. <p>The aforementioned Affidavits pertain to the publication of the Company’s Notice of the Regular Stockholders’ Meeting pursuant to SEC’s Notice dated 13 March 2023.</p>
<p>May 9, 2023</p>	<p>We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the “Board” and the “Company”) held on May 9, 2023:</p> <p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>The Board approved the declaration of cash dividends to holders of common shares as follows:</p> <ol style="list-style-type: none"> a) Second Quarter regular dividend in the amount of Php 0.75 per common share; and b) Special dividend in the amount of Php 1.75 per common share. <p>The foregoing cash dividends shall be paid on June 7, 2023 to all holders of common shares of record as of May 24, 2023. The stock and transfer book of the Company will be closed from May 25 to 29, 2023.</p>
<p>May 15, 2023</p>	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>Please see below financial highlights of Ginebra San Miguel Inc. (the “Company”) for the first quarter of 2023:</p> <p>The Company volumes declined by 5% from the previous year, reflecting the effect of a temporary volume slowdown due to a price increase last February 1, 2023. Revenues meanwhile increased by 3% to Php 12.9 billion. Net income ended at Php 2.5 billion for the first quarter, 81% higher than 2022 on account of the one-time income cashflow generated in March with the transfer of Don Papa’s product rights.</p> <p>Further information on the above financial highlights may be found in the Company’s Quarterly Report (SEC Form 17-Q) as at and for the period ended March 31, 2023.</p>

<p>May 16, 2023</p>	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>As instructed by the Philippine Stock Exchange Inc., please see attached disclosure dated today, May 16, 2023, in connection with Ginebra San Miguel Inc.'s Employee Stock Purchase Plan approved on August 8, 2007.</p>
<p>May 25, 2023</p>	<p>We disclose that today, May 25, 2023, the following meetings of Ginebra San Miguel Inc. (the "Company") were held: Regular Stockholders' Meeting and Organizational Meeting of the Board of Directors ("Board").</p> <p style="text-align: center;">Regular Stockholders' Meeting</p> <p style="text-align: center;"><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <p>1. The following directors were elected:</p> <p style="padding-left: 40px;">Ramon S. Ang Francisco S. Alejo III Aurora T. Calderon Leo S. Alvez Gabriel S. Claudio Francis H. Jardeleza Ana Leah V. Rodriguez Aurora S. Lagman – Independent Director Martin S. Villarama, Jr. – Independent Director</p> <p>The foregoing directors currently have 5,000 common shares each in the Company.</p> <p style="text-align: center;"><u>Item 9. Other Events.</u></p> <p>2. The Minutes of the Regular Stockholders' Meeting held on May 26, 2022 was approved.</p> <p>3. All acts, resolutions and proceedings of the Board and corporate officers of the Company since the Regular Stockholders' Meeting held on May 26, 2022 until May 25, 2023, 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.</p> <p>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 2023.</p> <p style="text-align: center;">Organizational Meeting of the Board of Directors</p> <p style="text-align: center;"><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <p>1. At the Organizational Meeting of the Board, the following Officers and Lead Independent Director were elected.</p> <p style="padding-left: 40px;">Ramon S. Ang : President</p>

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
Heinrici D. Legaspi	: Internal Audit Group Head/ Chief Audit Executive

Director Aurora S. Lagman 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 and Ms. Baroy has 30,000 common shares. On the other hand, Atty. Jacinto, Atty. Cruz, Atty. Felix and Mr. Legaspi do not own shares in the Company.

In the same meeting, the following were elected as Chairpersons and members of the following Board Committees:

Executive Committee

1. Ramon S. Ang
2. Francisco S. Alejo III
3. Aurora T. Calderon
4. Ferdinand K. Constantino – Non-Director Member

Audit and Risk Oversight Committee

1. Martin S. Villarama, Jr. – Chairman
2. Francisco S. Alejo III
3. Leo S. Alvez
4. Aurora S. Lagman

Ferdinand K. Constantino – Advisor

Executive Compensation Committee

1. Ramon S. Ang – Chairman
2. Aurora T. Calderon
3. Leo S. Alvez
4. Martin S. Villarama, Jr.
5. Ferdinand K. Constantino – Non-Director Member

Corporate Governance Committee

1. Aurora S. Lagman – Chairman
2. Aurora T. Calderon
3. Leo S. Alvez
4. Gabriel S. Claudio
5. Ana Leah V. Rodriguez
6. Martin S. Villarama, Jr.
7. Joseph Francis M. Cruz – Ex Officio Member

	<p style="text-align: center;"><u>Item 9. Other Events.</u></p> <p>1. The Board also approved the designation of depository banks, authorized signatories and limits for corporate transactions of the Company.</p>
May 25, 2023	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>Please see attached press release entitled “Ginebra reports strong Q1 performance”.</p>
August 2, 2023	<p>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 2, 2023:</p> <p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>The Board approved the declaration of cash dividends to holders of common shares as follows:</p> <p style="padding-left: 40px;">a.) Third Quarter regular dividend in the amount of Php 0.75 per common share; and</p> <p style="padding-left: 40px;">b.) Special dividend in the amount of Php 1.75 per common share.</p> <p>The foregoing cash dividends shall be paid on September 1, 2023 to all holders of common shares of record as of August 16, 2023. The Stock and Transfer Books of the Company will be closed from August 17 to 23, 2023.</p>
August 8, 2023	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>Please see below financial highlights of Ginebra San Miguel Inc. (the “Company”) for the first semester of 2023:</p> <p>The Company’s volumes reached 22.2 million cases, a 1% improvement over the same period last year. With sustained volume growth, sales revenues rose 10% to Php 25.4 billion, while gross profit improved 2% to Php 6.2 billion. Income from operations went up 3% to Php 3.4 billion, while EBITDA surged 53% to Php 5.5 billion. Net income for the first six months of the year reached Php 4.1 billion, 64% more than the same period last year.</p> <p>The Company will submit its Quarterly Report (SEC Form 17-Q) including its financial statements as at and for the period ended June 30, 2023, not later than the deadline on August 14, 2023.</p>
August 10, 2023	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>We would like to inform the Securities and Exchange Commission that in the case entitled “In the Matter of the Water Pollution Control and Abatement Case vs. East Pacific Star Bottlers Phils Inc. - Ligao Plant, docketed as DENR-PAB Case No. 05-F00138-16, the Department of Environment and</p>

	<p>Natural Resources-Pollution Adjudication Board (DENR-PAB) imposed on East Pacific Star Bottlers Phils Inc. (EPSBPI), a wholly-owned subsidiary of Ginebra San Miguel Inc. (GSMI), a fine amounting to Four Million Eight Hundred Seventy Thousand Pesos (Php 4,870,000.00) for allegedly discharging effluents which do not meet the DENR General Effluent Standards as set out in DENR Department Administrative Order 2016-08, as provided under Republic Act No. 9275 or the Philippine Clean Water Act of 2004 and its Implementing Rules and Regulations. EPSBPI has corrected such finding and will file a Motion for Reconsideration of the DENR-PAB Order, dated August 7, 2023, on or before August 24, 2023.</p> <p>The DENR-PAB Order was received by GSMI today, August 10, 2023, from the Plant Manager of EPSBPI's Plant located in Ligao City, Albay. Based on the copy that was sent to GSMI, the said Order was received by EPSBPI on August 9, 2023.</p>
September 15, 2023	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>In compliance with SEC Memorandum Circular No. 19, Series of 2016, we advise that the following directors of Ginebra San Miguel Inc. (the "Company"), have attended a seminar on Corporate Governance held on September 8, 2023 that was conducted by SGV & Co (the "Seminar"). Attached are copies of their Certificate of Attendance:</p> <p style="text-align: center;">Name of Directors</p> <ol style="list-style-type: none"> 1. Mr. Francisco S. Alejo III 2. Justice Francis H. Jardeleza <p>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.</p>
September 27, 2023	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>In compliance with SEC Memorandum Circular No. 19, Series of 2016, we advise that Atty. Virgilio S. Jacinto, Corporate Secretary and Compliance Officer of Ginebra San Miguel Inc., has attended a seminar on Corporate Governance held on September 20, 2023 that was conducted by SGV & Co. Attached is a copy of his Certificate of Attendance.</p>
October 27, 2023	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>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 20, 2023. Copies of the Certificates of Completion of the following participants are attached for your reference.</p>

	<p style="text-align: center;">Name of Directors</p> <ol style="list-style-type: none"> 1. Mr. Leo S. Alvez 2. Mr. Gabriel S. Claudio 3. Ms. Ana Leah V. Rodriguez 4. Justice Martin S. Villarama, Jr. (Ret.) – Independent Director 5. Justice Aurora S. Lagman (Ret.) – Independent Director <p style="text-align: center;">Name of Officers/Managers</p> <ol style="list-style-type: none"> 1. Mr. Emmanuel B. Macalalag – General Manager 2. Ms. Cynthia M. Baroy – Chief Finance Officer 3. Atty. Francis Joseph A. Cruz – Assistant Corporate Secretary 4. Atty. Christine Angelica D. Felix – Assistant Corporate Secretary 5. Mr. Heinrici D. Legaspi - Internal Group Audit Manager 6. Mr. Allan P. Mercado 7. Mr. Jaime P. Factor 8. Mr. Ronald Rudolf C. Molina 9. Mr. Saturnino G. Pajarillo, Jr. 10. Ms. Eileen C. Miranda 11. Mr. Teodorico T. Lasin 12. Mr. Cris Philip S. Marquez 13. Mr. Delfin Jude G. Uy 14. Mr. Lewisito D. Leonillo 15. Ms. Monina N. Cortez 16. Ms. Estrella M. Tamayo 17. Ms. Rosalina A. Lioanag 18. Mr. Ariel I. Victoria 19. Atty. Ariel D. Gonzales 20. Atty. Marie Antoinette V. Pascua
November 8, 2023	<p>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 8, 2023:</p> <p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>The Board approved the declaration of cash dividends to holders of common shares as follows:</p> <ol style="list-style-type: none"> a.) Fourth Quarter regular dividend in the amount of Php 0.75 per common share; and b.) Special dividend in the amount of Php 1.75 per common share. <p>The foregoing cash dividends shall be paid on December 7, 2023, to all holders of common shares of record as of November 22, 2023. The Stock and Transfer Books of the Company will be closed from November 23 to 27, 2023.</p>
November 13, 2023	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>Please see below financial highlights of Ginebra San Miguel Inc. (the “Company”) for the third quarter of 2023:</p> <p>The Company registered a robust performance in the third quarter of 2023, posting a 13% growth in revenues to Php38.9 billion. Income from</p>

	<p>operations ended at Php5.0 billion, up 10% over the same period last year. Meanwhile, net income reached Php5.5 billion, 62% higher from the previous year, including a one-time gain from the transfer of product rights for the Don Papa brand.</p> <p>The Company will submit its Quarterly Report (SEC Form 17-Q) including its financial statements as at and for the period ended September 30, 2023, not later than the deadline on November 14, 2023.</p>
November 17, 2023	<p style="text-align: center;"><u>Item 9. Other Events</u></p> <p>In compliance with SEC Memorandum Circular No. 19, Series of 2016, we advise that the following directors of Ginebra San Miguel Inc. (the “Company”), have attended a seminar on Corporate Governance held on November 10, 2023 that was conducted by Center for Global Best Practices (the “Seminar”). Attached are copies of their Certificate of Attendance:</p> <p style="text-align: center;">Name of Directors</p> <ol style="list-style-type: none"> 1. Mr. Ramon S. Ang 2. Ms. Aurora T. Calderon <p>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.</p>

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	<p>With operations in Metro Manila, North and South Luzon, Visayas, and Mindanao, by itself or through its subsidiaries, enumerated hereunder:</p> <p>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)</p>
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	<p>Report includes the following legal entities: Ginebra San Miguel Inc. (“GSMI”) Distileria Bago, Inc. (“DBI”) East Pacific Star Bottlers Phils Inc. (“EPSBPI”) Agricrops Industries Inc. (“Agricrops”)</p> <p>DBI, EPSBPI, and Agricrops, which are wholly-owned subsidiaries of GSMI, are collectively referred to as the “Domestic Operating Subsidiaries”.</p>
Business Model, including Primary Activities, Brands, Products, and Services	<p>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.</p> <p>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), GSM Blue,</p>

	<p>GSM Premium Gin, Antonov Vodka, Primera Light Brandy, Añejo Gold Rum, 1834 Distilled Premium Gin, Tondeña Manila Rum (for export only), and G&T Ultralight Spirit Drink.</p> <p>The Company also produces San Miguel Ethyl Alcohol which was first introduced in 2020 in response to the COVID-19 global pandemic outbreak.</p> <p><i>(https://www.ginebrasanmiguel.com/about-ginebra/)</i></p>
Reporting Period	January 1 to December 31, 2023
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 in order to finalize material sustainability topics most significant to GSMI and its Domestic Operating Subsidiaries.

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 reviewed and updated accordingly to ensure topics remain valid and relevant at the publication of this report.

In the second half of 2022, GSMI and its Domestic Operating Subsidiaries participated in San Miguel Corporation's (SMC) group-wide materiality assessment exercise. A list of possible material topics was developed through peer analysis and review of globally

recognized Environmental, Social, and Governance (ESG) standards and frameworks. This provided us with a perspective of ESG issues deemed relevant by companies of similar size, operations and portfolio.

Thereafter, the material issues of our stakeholders were shortlisted through a series of engagement sessions to determine ESG issues most significant to them. This list was further prioritized through a Materiality Validation Workshop attended by SMC and GSMI management.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure*	2023	2022	Units
Direct economic value generated (revenue)	54,192	47,471	Mn PhP
Direct economic value distributed:			
a. Operating costs (including payments to suppliers)	20,721	19,930	Mn PhP
b. Employee wages and benefits	1,819	1,721	Mn PhP
c. Dividends given to stockholders and interest payments to loan providers	2,792	1,543	Mn PhP
d. Taxes given to government	25,399	20,529	Mn PhP
e. Investments to community (e.g. donations, CSR)	14	12	Mn PhP

*Figures herein can be validated with the GSMI's 2023 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, 93.6% is distributed to its various stakeholders, while the remaining 6.4% is retained and reinvested for the next fiscal year for the overall operations of the Company.

Allocation for operating cost is at 38.2% of the total economic value generated. In addition, 3.4% went to the wages and benefits of employees, 5.2% paid to providers of capital, and 0.03% apportioned to partner communities through donations and Corporate Social Responsibility (CSR) programs.

Being a responsible Company, GSMI remitted to the government around 46.9% 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 a continuing commitment to this goal, the Corporate Governance Seminar attended by the Board and the Company's officers every year includes a discussion on sustainability reporting which covers "Environment" as one of the key impacts.

Procurement Practices

Proportion of spending on materials from local suppliers

Disclosure	2023	2022	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	71	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	2023	2022	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***	100	100	%

*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 2023 includes a discussion on Global and Local Economic, Political and Other Challenges which includes a discussion on risk management.

***In 2023, all employees were required to attend the SMC People Related Policies Cascade wherein certain policies including the Anti-Corruption and Sanctions Compliance Policy were thoroughly discussed.

Incidents of Corruption*

Disclosure	2023	2022	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.qinebrasanmiquel.com/wp-content/uploads/2023/09/Code-of-Conduct-and-Ethical-Business-Policy.pdf>

The Company has in place policies and guidelines on Conflicts of Interest, Material Related Party Transactions, Policy on Solicitation and Acceptance of Gifts, Anti-Corruption and Sanctions Policy, Corporate Policy on Internal Control, 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.qinebrasanmiquel.com/policies-and-management/>

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.qinebrasanmiquel.com/wp-content/uploads/2022/11/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	2023	2022	Units
Energy consumption (renewable sources)	563,524	520,819	GJ
Energy consumption (non-renewable)	755,699	732,802	GJ
Energy consumption (Electricity, Heating, Cooling, Steam purchased)	89,902	72,515	GJ
Self-generated energy which are not consumed	0	0	GJ
Sold Energy (Electricity, Heating, Cooling, Steam)	0	0	GJ
Net Energy consumption	1,409,125	1,326,136	GJ

Reduction of energy consumption*

Disclosure	2023	2022	Units
Fuel Reduction	0	0	GJ
Electricity Reduction	1,858	167	GJ
Energy consumption (all sources)	1,858	167	GJ

**Accounts for projects newly implemented within the reporting year*

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) enhancement 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, (5) replacement of street lamps with solar powered alternatives, (6) shifting to a more energy efficient controllers, and (7) automation of wastewater treatment plant aeration system.

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.

Operation downtimes were minimized 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 trainings 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	2023	2022	Units
Water withdrawal	3,037	2,875	ML
Surface water	0	0	ML
Groundwater	2,695	2,591	ML
Seawater	0	0	ML
Rainwater	0.3	0	ML
Produced water	255	206	ML
Third-party water	88	78	ML
Water Discharged	2,319	2,278	ML
Stored Water	0	0	ML
Water Consumption	719	598	ML
Water Recycled and Reused	298	170	ML
% Water Recycled and Reused	10	6	%

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 some of our bottling plants are located in water-stressed areas¹, the Company and its Domestic Operating Subsidiaries, ensures its operations are done sustainably and continuously adhere to Philippine government water laws and regulations as guided by the SMC Group's environmental policy and sustainability agenda.

Stakeholders: Local Communities, Regulators, Employees

¹ https://neda.gov.ph/wp-content/uploads/2021/09/00-National-Databook-and-Roadmap_4June2021.pdf

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 2025² 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 32% 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, in reference to SMC's Water for All targets, DBI is also at 33% 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 40% water reduction as of this reporting period versus their SMC Water for All target and is aligned with SMC's goal of achieving 50% water reduction by year 2025.

Opportunities and Management Approach

The Company and its Domestic Operating Subsidiaries are looking forward to have additional rainwater harvesting facilities and a more efficient water recovery program that minimizes the discharge of water and reduce overall water withdrawal.

Moreover, regular analysis of water consumption and quality trends will be continued in order to come up with other opportunities for recycling and re-use. This includes conduct of

² By 2025, SMC commits to reduce the total water consumption of water across the entire San Miguel Group of Companies by 50%.

studies that aim to improve processes or replace equipment that consume significant amounts of water.

Materials used by the organization

Disclosure	2023	2022	Units
Materials used by weight or volume	676,198	618,547	MT
Renewable	569,851	542,758	MT
Non-renewable	106,347	75,788	MT
Percentage of renewable material	84	88	%
Percentage of recycled input materials used to manufacture	6	5	%
Recycled	37,586	31,935	MT

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 65% of total bottles used in 2023. 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 result, 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	2023	2022	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**	14	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. It is now estimated to measure up to 14 hectares, with a survival rate of 90% 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 erosion³. Regular tree planting within the vicinity is likewise 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.

Environmental Impact Management

Air Emissions

GHG*

Disclosure	2023	2022	Units
Direct (Scope 1) GHG Emissions	54,055	52,414	Tonnes CO ₂ e
Indirect (Scope 2) GHG Emissions	17,791	14,351	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	0	0	Tonnes CO ₂ e

³ <https://blogs.worldbank.org/eastasiapacific/mighty-mangroves-of-the-hilippines-valuing-wetland-enefits-for-risk-reduction-conservation>

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 (CO₂) gas that is a by-product of fermentation in alcohol-making. This gas is further processed into liquid CO₂ and utilized by beverage industries producing carbonated drinks.

In addition, bottling plants have also introduced various improvements in manufacturing lines, leading to better operational efficiencies which translate into the reduction in energy consumption and lower GHG emissions. 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	2023	2022	Units
NO _x	14	17	MT
SO _x	213	103	MT

Persistent organic Pollutants (POPs)	0	0	MT
Volatile organic Compounds (VOCs)	0	0	MT
Hazardous air pollutants (HAPs)	0	0	MT
Particulate Matter (PM)	11	10	MT
Carbon monoxide (CO)	9	8	MT

Impacts and Risks

Air pollutants, such as NO_x and SO_x, 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. Boiler and generator emission monitoring, ambient air quality monitoring in all bottling plants, and air sampling in DBI are also being conducted. In addition, other programs to improve quality of air emission were implemented, to wit: (1) performing regular emission testing and ambient air quality monitoring, (2) boiler, generator, and air pollution control devices preventive maintenance and repairs (3) periodic cleaning of smokestacks, and (4) 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	2023	2022	Units
Total solid waste generated	11,619	11,298	MT
Reused	249	284	MT
Recycled	11,038	10,543	MT
Other Recovery Operations*	15	12	MT
Incineration (with energy recovery)	1	0	MT
Incineration (without energy recovery)	0	0	MT
Landfilling	308	311	MT
Other disposal Operations	8	148	MT

**Other recovery operations accounts for composted solid waste.*

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 cascaded and 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.

To support government initiative on waste reduction, the Company and its Domestic Operating Subsidiaries has engaged a Producer Responsibility Organization and partnered with a plastic waste diverter to recover at least 20% of its plastic footprint through offsetting.

Programs to reduce the plastic footprint of the Company’s products are currently being explored to minimize environmental impact.

A purposive program is also 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	2023	2022	Units
Total weight of hazardous waste generated	22	52	MT
Total weight of hazardous waste transported	33	25	MT

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	2023	2022	Units
Total volume of water discharges	2,319	2,278	ML
Percent of Wastewater Recycled	10	6	%

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

Non-compliance with Environmental Laws and Regulations

Disclosure	2023	2022	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	0	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

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 laws and 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 14001:2015 Environmental Management System (EMS) certification for all its facilities. Currently, Cabuyao, Sta. Barbara, Mandaue, and Ligao plants have secured their respective certifications while the other facilities are continuing with their respective 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

Employee Hiring and Benefits

Employee data

Disclosure	2023	2022	Units
Total number of employees	1258	1210	Headcount
a. Number of female employees	360	337	Headcount
b. Number of male employees	898	873	Headcount
Attrition rate	3%	1%	Rate
Ratio of lowest paid employee against minimum wage	1.07:1	1.08:1	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	3.84%	5.71%
Vacation leaves**	Y	% Overall Utilization Rate**** = 91.74%	
Sick leaves***	Y	% Overall Utilization Rate**** = 54.72%	

*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 raise their concerns and give feedback, and (4) a safe and healthy work environment conducive for individual and collective growth.

In line with COVID-19 restrictions easing in 2023, GSMI and its Domestic Operating Subsidiaries continued with its mitigation of the COVID-19 virus by implementing the health and safety protocols as needed.

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.

Diversity and Equal Opportunity

Disclosure	2023	2022	Units
% of female workers in the workforce	29	28	%
% of male workers in the workforce	71	72	%
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	2023	2022	Units
Total training hours provided to employees*	80,713	61,548	Hours
a. Female employees	22,704	16,410	Hours
b. Male employees	58,009	45,138	Hours
Average training hours provided to employees	64.2	50.9	Hours/Employee
a. Female employees	63.07	48.69	Hours/Employee
b. Male employees	64.60	51.70	Hours/Employee

*Total training hours include estimated training hours for employees under developmental assignment.

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 strengthens employee skills in liquor-making. Moreover, there are selected number of employees enrolled in internationally recognized courses related to distillation, gin and alcohol making, raw material and packaging to constantly expand the technical expertise 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 maximize employee engagement and development. 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 continues to promote employees’ health, well-being, and personal development. There are programs on Personal Effectiveness, Code of Champions, Work-Life Harmony, and “*Malasakit*” Learning Sessions. Alternative topics include Financial Wellness, Fostering Creativity at Work, and Effective Communication & Presentation Skills, among others. In the end, GSMI invested an average of 64.2 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	2023	2022	Units
% of employees covered with Collective Bargaining Agreements*	26	23	%
Number of consultations conducted with employees concerning employee-related policies**	4	2	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 provide an alternative venue to interact with management and raise their concerns.

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

Occupational Health and Safety

Disclosure	2023	2022	Units
Safe Man-Hours*	8,241,675	7,898,788	Man-hours
No. of work-related injuries	17	30	Count
No. of work-related fatalities	0	0	Count
No. of work-related ill-health	69	16	Count
No. of safety drills	41	39	Count

**Note that in the 2022 Sustainability Report, the Safe Man-Hours was reported as accumulated hours. Meanwhile, the same data in this year's report are presented as full-year Safe Man-Hours only.*

Impacts and Risks

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. HR also deploys various learning sessions and implements 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 still implemented in all facilities to protect employees and prevent transmission of the COVID-19 virus. This includes mandatory wearing of PPEs prior entry to any office or facility, handwashing and disinfection.

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

Labor Laws and Human Rights

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

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

Yes, as cited in the Company Code of Conduct and Ethics and the Policy on Child and Forced Labor. Kindly check the links below:

<https://www.qinebrasanmiquel.com/wp-content/uploads/2023/09/Code-of-Conduct-and-Ethical-Business-Policy.pdf>

<https://www.qinebrasanmiquel.com/wp-content/uploads/2023/09/Policy-on-Child-and-Forced-Labor.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 links below for reference:

<https://www.ginebrasanmiquel.com/wp-content/uploads/2023/09/Code-of-Conduct-and-Ethical-Business-Policy.pdf>

In addition, suppliers are also mandated to comply with the SMC group Supplier Code of Conduct. The relevant provisions of which are cited in the table below.

https://www.sanmiquel.com.ph/storage/files/reports/SMG_Supplier_Code_of_Conduct_for_Corporate_Website.pdf

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	“San Miguel Group (“SMG”) Suppliers shall comply with environmental laws and regulations applicable to their operations worldwide.”
Forced labor	Y	“SMG Suppliers must not utilize or benefit any way from forced or compulsory labor.”
Child labor	Y	“SMG Suppliers shall comply with local

		minimum working age laws and requirements and not employ child labor.”
Human rights	Y	“SMG Suppliers shall treat each employee with dignity and respect.”
Bribery and corruption	Y	“SMG Suppliers shall conduct their business in accordance with the highest standards of ethical behavior.” “SMG Suppliers shall not offer, make, or receive any form of bribe in order to win or retain business, or seek to influence a business or regulatory decision inappropriately.”

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 from availing 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 internal guidelines. 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	Not	No	Local hiring	Health,

	locations across the Philippines	applicable		for applicable jobs	Education, and Livelihood Projects
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**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting Indigenous Peoples (IPs), indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

NOT APPLICABLE

Certificates	2023	2022	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.

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

Disclosure	2023	2022	Units
No. of substantiated complaints on product or service health and safety*	5	4	Count
No. of complaints addressed	5	4	Count

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

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

- Halal
- Food Safety Systems Certification (FSSC)

In addition, two out six 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.ginebrasanmiquel.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

Disclosure	2023	2022	Units
No. of substantiated complaints on marketing and labelling*	0	0	Count
No. of complaints addressed	0	0	Count

**Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

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	2023	2022	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:

- Privacy impact assessments for the data processing systems/data processes of the Company and its Domestic Operating Subsidiaries;
- Implementation of organizational, physical and technical security measures to safeguard personal information;
- Data privacy awareness activities through the holding of data privacy trainings and orientation for employees, and the celebration of the Privacy Awareness Week;
- 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 (*Ngiting Instanalo, Ngiting Suki Raffle Promo, Ginumanfest, World Gin Day, and Vino Kulafu Lakas Panalo Promo*); 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.

Data Security

Disclosure	2023	2022	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.ginebrasanmiquel.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 – To provide a reliable supply of quality and affordable rubbing alcohol used for personal care as well as cleansing and disinfecting.	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.
	12.2/12.5 – Use of 100% recyclable material (aluminum) as packaging materials (cans and roll-on pilfer-proof (ROPP) caps) for some products.	Recycling of aluminum cans and ROPP caps still requires use of fuel thus the emission of GHG.	
Reduction of solid waste	12.5 - Reduction of ROPP size of G.S.M. Blue Flavors 1 Liter SKU.	N/A	
	12.5 - Elimination of non-environment friendly plastic pourer in GSM Blue 700ml and 1 Liter SKU.	N/A	
Employment	8.3, 8.5 - GSMI provides equal opportunity as an employer, and continues to provide decent jobs to its value chain such as suppliers,	While the labor management relationship is collaborative and harmonious, there is still a risk of attrition, though minimal, due	The Company has policies and safeguards in place to ensure decent work is provided, as discussed in the Employee Management, Labor-Management

	contractors, dealers, and wholesalers.	to personal preferences.	Relations, and Workplace Conditions section of this report.
Education	<p>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 number of scholars. In 2023, there were 64 graduates of the said program.</p>	Alcohol Abuse	Responsible drinking is integrated in the syllabus of GSMI scholars' TESDA training.