



LAMANG ANG MAY TAPANG

GINEBRA SAN MIGUEL INC.

2023 Annual Report



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Financial Highlights

in thousand pesos, except per share data

NET REVENUE

2023	53,638,569
2022	47,340,746

NET INCOME

2023	7,045,867
2022	4,547,222

BASIC EARNINGS PER SHARE*

2023	24.61
2022	15.88

STOCKHOLDERS' EQUITY

2023	18,400,312
2022	14,442,045

STOCKHOLDERS' EQUITY PER SHARE*

2023	64.26
2022	50.44

**Based on the number of shares outstanding at the end of each year*



Message to Stockholders

Fellow Stockholders,

The year 2023 marks ten years of continuous growth for our company. Having sustained continuous volume improvements since 2014, this milestone is a testament to Ginebra San Miguel's strong brand equity and the resilience of our entire organization amid the many difficult challenges we have had to face over the years.

In 2023, we delivered another record-breaking performance. Sales volume reached 46.3 million cases, surpassing historic highs for the third consecutive year. With higher volumes and favorable selling prices, revenues hit P53.6 billion, up 13% from the previous year.

Income from operations reached P6.8 billion, 14% higher than in 2022. Net income jumped 55% to P7 billion, the highest ever for your company. This was further boosted by a one-time gain from the sale of our rights on Don Papa Rum.

Keeping our brands top-of-mind through engaging and relatable marketing campaigns has been a major factor in our success.

Carrying themes of hope and optimism, Ginebra San Miguel's "Iba ang Ngiti Ngayon sa One Ginebra Nation" campaign resonated well with target audiences, enabling our flagship brand to register a robust 4% volume increase from the previous year.

Localized consumer promos and aggressive on-ground activations also complemented our ad campaigns. Ginumanfest, our caravans, and on-premise penetration and sampling activities allowed us to engage more consumers and create unique ways for them to experience our brands.

GSM Blue continued to deliver strong volume growth, adding close to a million cases over our 2022 performance. As our second biggest brand, GSM



Blue plays a vital role in market penetration and gin recruitment, particularly in areas where gin is less prevalent.

Meanwhile, Vino Kulafu remains our anchor in the Visayas and Mindanao regions. Primera Light Brandy sustained its double-digit growth while we are working to better position GSM Premium Gin and Antonov Vodka for a breakout performance this year, starting with their redesigned packaging.

Fellow stockholders, about two years ago, we began developing a new set of long-range plans to guide our business' direction in the coming years. Our primary focus then, as now, was to ensure business sustainability and enhance efficiencies in critical aspects of our operations, to maintain our competitive edge.

In 2023, this effort resulted in the crafting of our new GSMI vision, core purpose, and sustainability commitment—all aligned with our parent San Miguel Corporation's long-term plans, new vision and core purpose statements, and sustainability roadmap.

Starting this year, we will pursue greater sustainability across our operations and will be deliberate and purposeful in implementing such programs. We aim to sustain our market growth and continue improving our supply chain.

We will deliver ad campaigns that build on our strong messaging and brand equity, further deepening our connection with consumers. We will also work to maintain high brand visibility across all geographic markets through both channel and digital marketing.


We have also lined up consumer promos and localized on-ground activations to complement our above-the-line programs. There will also be more focus on events supporting our upmarket brands, GSM Premium Gin, Antonov Vodka, and 1834 Premium Distilled Gin. Moreover, our celebration of this year's World Gin Day will be special as we commemorate Ginebra San Miguel's 190th anniversary as a brand.

Distribution coverage will be expanded in coordination with our trade partners. Our plans also include deploying market development teams to win new markets and further cultivate volume growth in the VisMin region.

Finally, programs to enhance supply chain resilience and efficiency will be pursued. Priority will be given to securing and stabilizing the supply of alcohol and molasses, modernizing our bottling facilities, and shifting to a more reliable used bottle retrieval-reuse system.

With your continued support, valued shareholders, and guided by our company's new vision and core purpose, we will move forward with steadfast determination and strive to sustain our growth.


RAMON S. ANG
President


EMMANUEL B. MACALALAG
General Manager



Lamang Ang May Tapang

The never-say-die spirit of the Filipino, characterized by resilience and determination, endures in 2023. With the global victory over the pandemic in the background, new challenges and economic obstacles emerge. In light of this, we continue to inspire and motivate every Filipino with our latest campaign slogan, “Lamang ang May Tapang,” signifying our unwavering belief that amidst gray skies, there will be brighter times ahead.

“Lamang ang May Tapang” truly embodies the indomitable spirit of the resilient and hopeful Filipino. This campaign serves as a source of inspiration, urging Filipinos to have faith in their abilities, pursue their passions, and achieve noble feats.

Over the years, our messages of courage, heart, and perseverance have uplifted countless Filipinos. With “Lamang ang May Tapang,” we continue this legacy, championing the dreams and aspirations of individuals as they pursue both personal and collective growth. As our company pursues excellence, we empower our consumers to do the same, encouraging them to create a brighter future for themselves, their loved ones, and the nation as a whole.

STORIES OF INSPIRATION

“Lamang ang May Tapang” resonates deeply with the inspiring journeys of ordinary Filipinos who have conquered adversity and risen in the face of overwhelming odds. Among these remarkable individuals is Scottie Thompson, a player for Barangay Gin Kings, whose relentless determination has led to seven PBA championships. Despite facing initial setbacks as a young dreamer, Thompson’s unwavering perseverance has proven that the never-say-die spirit courses through his veins.

Similarly, the story of rapper Nik Makino embodies determination in times of adversity. Leaving behind a stable job in the US to pursue his musical aspirations in the Philippines, he was sidelined by the restrictions of the pandemic. Yet, amidst the turmoil, he penned the viral hit “Moon,” which eventually amassed over 72 million streams—an inspiring testament to the power of persistence in reaching for one’s dreams.

The campaign also showcased the tale of a self-taught fisherman, striving to provide for his family, and a mother courageously taking on multiple jobs as a food delivery walker to support her son’s education. They never gave up in their pursuit of dreams, buoyed by the promise of a brighter future.

Ginebra San Miguel’s thematic campaigns have garnered well-deserved recognition, with our flagship brand, Ginebra San Miguel, receiving the Catholic Mass Media Award (CMMA) for Best Branded TV Ad (“Iba ang Ngiti Ngayon”). Additionally, the “Huling Patak ng Bagong Tapang” campaign was honored by the International Association of Business Communicators Philippines (IABCP) with an Award of Excellence in the Marketing, Advertising, and Brand Communication category.



Ginebra San Miguel secures four-peat win at the Catholic Mass Media Awards 2023 under the Best TV AD-Branded category for its “Iba ang Ngiti” campaign.

STRIVING FOR GREATNESS

Driven by a commitment to excellence, we continuously elevate our brands across all fronts and aspects—from campaigns and product labels to packaging and consumer promotions.

Our dedication is exemplified by initiatives such as the “GIN IS IN” campaign, a celebration of gin’s unique qualities—cool, clear, and versatile. Launched during Ginebra’s White Party to commemorate World Gin Day (WGD) on June 8, the campaign featured three exciting and authentic ambassadors who perfectly embody gin’s characteristics—“Gin is Cool” like actor and model Zanjoe Marudo; “Gin is Clear” like Syrian-born Filipino vlogger Basel Manadil (The Hungry Syrian); and “Gin is Versatile” like actress Faith Da Silva.

Showcasing its unique flavor profile, our brand 1834 Premium Distilled Gin made waves at the inaugural Manila Gin Festival in April. The festival was the largest of its kind in Manila, bringing together gin enthusiasts. 1834 made its mark during the event, becoming the “2nd

Most Popular Gin” and was the only local gin recognized alongside international brands. Truly the gin the world has waited for.

In October, 1834 Premium Distilled Gin elevated the local gin scene with the 1834 Epicurean Experience. This food-and-drink pairing masterclass, conducted by award-winning mixologist Niño Cruz and hosted by Paolo Abrera, was intimate with only select media, bar owners, and influencers invited. Its success, however, was astounding as it generated an impressive PHP7.53 million in media value.

1834 Premium Distilled Gin also leveled up its packaging in 2023 and introduced premium beige and maroon canisters for a sophisticated look.

Speaking of leveling up, Primera Light Brandy also launched its “Salamat, Pri 2.0” campaign, which highlighted “Primera-klaseng bonding,” or the celebration of bonding moments with friends and family. The campaign contributed to a 25% volume increase for Primera Light Brandy compared to the previous year.



Primera Light Brandy’s “Primera Klaseng Bonding” campaign aims to create meaningful and more intimate bonds with friends and families.

Innovation remained at the forefront of our company as exemplified by the visual refresh for Antonov Vodka, featuring a label with a larger and bolder brand name for enhanced visibility. Following the change of label, Antonov Vodka’s “Bold Ka” campaign was launched to feature its bold personality and to celebrate those who dare to step outside their comfort zones.



Antonov Vodka’s “Bold Ka” campaign highlights its new bottle look with same bold taste.



GSM Premium Gin continues to make way for premium moments in life with its new bottle packaging in 2023.

GSM Premium Gin also debuted a sleek and elegant bottle design and was showcased in “The Premium Mix Season 5,” a digital series where acclaimed mixologist Hans Martinez guides viewers on crafting exceptional cocktails at home.

Both Antonov Vodka and GSM Premium Gin were featured in CNN Travel and Tipple, a digital series highlighting top drinking destinations and nightlife experiences across the country. This digital series had a total reach of 30.45 million with 134,270 views.



GSM Bar Academy graduates showcased their mixology skills in a friendly competition during World Gin Day.



1834 Premium Distilled Gin booth was voted 2nd most popular gin at the first Manila Gin Festival.

GSM Blue also unveiled a refreshed bottle, label, and case—alongside the launch of its exciting “Choose What’s True 2.0” campaign. The campaign focused on the different “why’s” of making one’s choices, featuring GSM Blue Brand Ambassador Sue Ramirez alongside gamer Raven Alonzo, influencer Mona Gonzales, and Olympic skateboarder Margielyn Didal. Each represents a GSM Blue variant, reinforcing its appeal to the young market. The new ad garnered a combined total of 21 million views on Facebook and YouTube.



“Choose What’s True” campaign inspires everyone to live their truth, share their voice, and enjoy life with GSM Blue.

Addressing growing demand, GSM Blue introduced the 1L Mojito “Coolitro” bottle and launched the “Merry Margarita” digital campaign, positioning GSM Blue Margarita for the holiday season. With seven influential content creators, the campaign achieved an impressive reach of 2.4 million with 958,000 engagements. With all these efforts combined, GSM Blue recorded a remarkable 31% growth in volumes last year compared to the prior year.

Vino Kulafu also experienced growth and had an upward sales trend in the second half of 2023, boosted by its “Lakas Panalo” Under-the-Cap promo. The promotion was able to redeem over 2 million caps and is one of the highest redemption rates recorded for a large-scale UTC consumer promo.



The sought-after yearly under-the-cap promo was extended to give loyal VINO Kulafu customers more chances of winning exciting prizes.

The Kul-Mix ng Kul-Peeps campaign was launched digitally to promote group drinking for long neck VK. In this campaign, VINO Kulafu collaborated with key influencers to hype key mixes such as Kula-Apple and Kula-Orange, reaching 4.6 million individuals with 57,000 total engagements.



The Philippines’ No. 1 Chinese wine shares the recipe for Kula-Apple mix, a refreshing drink to enjoy with friends.

MORE REASONS TO CELEBRATE

Amidst our collaborative efforts, we achieved yet another record-breaking year, a milestone that not only warrants celebration but also ignites our ambition to scale even greater heights.

In the spirit of jubilation, we proudly introduced Heaven Peralejo as Ginebra San Miguel’s 2024 Calendar Girl through a festive media launch. Heaven’s Philippine Fiesta-themed layout and signature cocktail concoctions delighted the audience comprising media, social media influencers, GSML dealers, and brand ambassadors. With Heaven’s strong and vibrant spirit, she epitomizes the essence of Ginebra San Miguel. As ambassadress, she aspires to inspire countless individuals, driven by a profound sense of malasakit and never-say-die spirit.



Heaven Peralejo shines in the festive layout of the Ginebra San Miguel 2024 calendar.



Award-winning actress Heaven Peralejo showcases “Mixes from Heaven: Grape Escape,” a cocktail made from Primera Light Brandy, during the shoot of the Ginebra San Miguel Calendar Girl 2024.

Continuing our festive endeavors, Ginebra San Miguel treated an audience to the first-ever Paskong Harana ng Ginebra, a free and early mini-Christmas concert held in November at the Greenfield Weekend Market. The acclaimed Kammerchor Manila, under the baton of Mr. Anthony Villanueva, enchanted the audience with timeless Yuletide melodies, offering our genuine expression of gratitude to our cherished customers during the holiday season.

With elevated spirits, innovative products, and joyous celebrations, we embark on this new year with a steadfast commitment to excellence and relentless pursuit of growth



Kammerchor Manila serenades the crowd with timeless Christmas melodies at the first-ever Paskong Harana ng Ginebra.

Product Portfolio

As a market leader in distilled spirits, GSKI is dedicated to producing world-class products with exceptional quality and taste. From our flagship brand, Ginebra San Miguel, we expanded our brand portfolio with new and diverse products to cater to the evolving tastes of the market, ensuring that there is a GSKI drink for every occasion.



Ginebra San Miguel

Hari 1 L

Frasco 700 mL

Frasquito 350 mL

Round 350 mL

Angelito 250 mL



1834 Premium Distilled Gin
750 mL



GSM Premium Gin
750 mL



GSM Blue Mojito

1 L Coolitro

700 mL

GSM Blue Margarita

GSM Blue Gin Pomelo

GSM Blue Light Gin

700 mL

**Vino Kulafu**

Long Neck 700 mL

Classic 350 mL



Primera Light Brandy

Sulitro 1 L

750 mL

**Añejo Gold Rum**

Long Neck 700 mL



Antonov Vodka

700 mL



G&T Ultralight Spirit Drink

Apple Black Tea 330 mL

Lemon Ginger 330 mL



San Miguel Ethyl Alcohol

20 L Carboy

1 Gallon

1 L

500 mL

250 mL



GUSTO NG KA-MOMMY-HAN

ang Bangong Alagang San Miguel!



Sustainability Highlights

Introduction

Sustainability is a fundamental core value at Ginebra San Miguel Inc. (GSMI). It is a value we have upheld for years, embedded in every aspect of our operations. This enduring commitment, rooted in our value of “malasakit,” directs our actions and guides our decision-making as we continually adapt and evolve our business practices to meet the ever-changing market conditions and the needs of the Filipino people.

As we celebrate our brand’s 190th anniversary, we look back and reflect on our rich heritage, goals, environmental and social stewardship, and governance through the lens of sustainability.

This new section of the Annual Report intends to put more focus on GSMI’s integrated efforts to further promote sustainability across our organization. It highlights our economic, environmental, and social performance as well as putting a spotlight on our current initiatives, aligning with San Miguel Corporation’s sustainability targets and the United Nations Sustainable Development Goals (UNSDG).

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Our Sustainability Commitment:

Spirit of sustainability and ‘malasakit’ in every product we create.

Patuloy na protektahan at pangalagaan ang kabuhayan, kapwa, at kalikasan.

Moreover, the metrics in this report are prepared in accordance with the Global Reporting Initiative (GRI) standards, the most widely recognized set of standards globally. This report covers the following domestic entities: Ginebra San Miguel Inc., Distileria Bago, Inc. (DBI), East Pacific Star Bottlers Phils Inc. (EPSBPI), and Agricrops Industries Inc. (Agricrops).

Our dedication to sustainable practices is unwavering. It is not merely a choice but an essential step as we progress. For us, each bottle holds not just a spirit, but also our enduring commitment to the planet, to the Filipino people, and to the future generation.



In this section:

Introduction

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Our Materiality Assessment

Our Stakeholder Engagement

**Doing Our Part Toward
the UNSDGs**

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Social Engagement

Moving Forward Statement

Our Value Chain

1 Alcohol Production



Molasses Sourcing

Each GSMI product begins with the sourcing of raw material for alcohol production. Molasses undergoes quality inspection and is stored at Distilleria Bago, Inc. (the only distillery plant of GSMI, and one of the biggest distilleries in Asia).

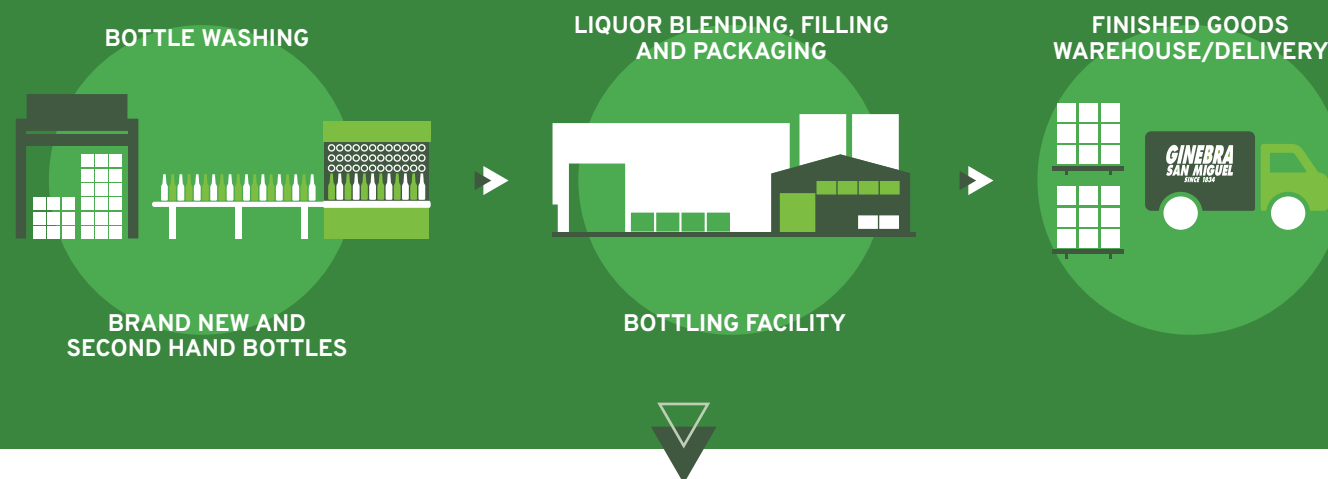
Alcohol Production

Molasses undergoes fermentation to convert sugar into alcohol and CO₂. The co-product CO₂ is recovered, purified,

and liquefied for selling to beverage manufacturers while alcohol is distilled to produce different profiles of alcohol -- fine alcohol, extra-neutral alcohol, rum alcohol and technical alcohol.

Wastewater undergoes treatment and, in the process, generates biogas used for the production of steam and in-house energy. Some of the pre-treated wastewater is further fortified and sold as liquid fertilizer.

2 Bottle Sourcing and Liquor Making



Bottle Sourcing and Liquor Making

Brand new bottles are transported to our bottling plants, along with the secondhand bottles which are retrieved and washed by third-party suppliers.

The distilled alcohol from DBI are shipped to bottling plants, then blended with other ingredients and flavors. This is conveyed through pipelines to our bottle-filling machines. After filling, the liquor products are tightly crowned or capped, sealed, labeled and coded.

Finished products are then packed into cartons and palletized, before storage or delivery. Our line operators monitor quality parameters through every process step, then further validation is conducted by our quality assurance personnel, to ensure GSMI quality standards are met.

3 Product Distribution



Product Delivery and Selling

Our products are transported from the bottling facilities by truckers or haulers to our warehouses, dealers and key accounts, and are eventually delivered by our long-time trade partners to various channels such as retailers, groceries, supermarket chains, convenience stores and on-premise outlets.

To serve our end-consumers, we currently have 92 dealer sites, that manage the distribution and sale of GSMI products, and 14 strategically located sales offices catering to around 158,000 outlets spread across the archipelago.

Materiality Assessment

As one of the respected companies with deep roots in the country's history and culture, Ginebra San Miguel Inc. continues to lead the way as a catalyst for positive change.

We have unwaveringly adapted our operations, product portfolio and business practices to the best industry standards while creating world-class liquors for all our customers. We remain firm in our commitment to contribute to San Miguel Corporation's sustainability targets and the 17 United Nations Sustainable Development Goals (UNSDGs) by managing our impact on the environment, society, and economy.

To achieve this, a series of sessions and workshops were conducted involving data handlers and department heads, including the top management, to identify topics and issues that are critical to GSMI's operations and stakeholders. These initial topics have been validated and streamlined through a series of sessions with key departments and top management, to ensure alignment with the company's direction.

The identified material topics, which we completed in 2019, serve as a baseline for the company's continuous improvement. By 2022, GSMI participated in San Miguel Corporation's group wide materiality assessment exercise, developing material topics through peer analysis and review of globally recognized Environmental, Social, and Governance (ESG) standards and framework.

This provided us with a perspective of ESG issues deemed relevant to the company. The identified issues of our stakeholders were shortlisted through a series of engagement sessions to determine the ESG concern most significant to them.

These material issues remain applicable and relevant and will be continually reviewed and updated accordingly, to address our stakeholders' constantly emerging needs and preferences.



Stakeholder Engagement

Maintaining a positive relationship with our stakeholders is essential to the success of Ginebra San Miguel Inc. We ensure that we continuously engage with our stakeholders as we find ways to widen our awareness and collaborations and improve the manner we conduct our business. We promote meaningful conversations with our stakeholders, listen to the concerns of our customers and address their needs. Our constant communication with our stakeholders and our ka-barangay allows us to deliver the best quality liquor and champion our malasakit spirit.

Our Stakeholders	Their issues and concerns	Engagement channels	Our response
Customers (dealers, wholesalers & consumers)	<ul style="list-style-type: none">• Product safety• Product accessibility• Product portfolio• Product complaints/defects• Ease of doing business (sales order process, bill reconciliation and timely product deliveries)• Customer data privacy	<ul style="list-style-type: none">• Customer care hotlines (telephone, fax, mailbox, and email)• Social media platforms• Above-the-line marketing campaigns (TV and radio)• On-ground activations (Ginumanfest, sampling, etc.)• National Sales and Marketing Convention, Area Sales kick-off events and official business reviews• Research and market studies with third-party providers	<ul style="list-style-type: none">• Strict quality assurance protocols• Compliance with quality management and food and safety standards• Well-established system to address product-related concerns• Continuous process and product development and innovation• Strong and mutually beneficial partnership with dealers and customers• Monitoring and continuous improvement of sales ordering, billing and product delivery processes (use of bank to bank / real time gross settlement)• Strict implementation of the company's personal data privacy policy
Suppliers	<ul style="list-style-type: none">• Timely payment of vendors	<ul style="list-style-type: none">• Supplier performance evaluations• Coordination meetings with GSMI's procurement and finance departments	<ul style="list-style-type: none">• Monitoring and continuous improvement of receiving and payment processes (use of bank to bank payment / real time gross settlement)• Strict implementation of supplier-company contract agreements
Employees	<ul style="list-style-type: none">• Competitive compensation and other benefits• Opportunities for career growth and personal development• Healthy and safe workplace• Business strategies and future plans of the company	<ul style="list-style-type: none">• Annual performance reviews and other assessment tools• Employee Engagement Survey• Health and wellness activities (team building activities, outings and learning sessions)• Company-wide townhall meetings – “Pulung pulong,” Group Interaction and News-sharing with the General Manager (GIN with the GM) for managers• Kwentong Kabarangay	<ul style="list-style-type: none">• Compliance with government policies on compensation and benefits• Balance scorecard driven Performance Management System (PMS) tied to rewards and recognition.• Training Needs Assessment (TNA) to determine purposive programs for each employee• Capabilities building through formal and informal training programs• Employee retention programs and succession planning

Our Stakeholders	Their issues and concerns	Engagement channels	Our response
		<ul style="list-style-type: none">• Use of multiple communication channels such as email, social media and internal publications• Regular labor management meetings	<ul style="list-style-type: none">• Conducting of employee engagement survey to measure satisfaction level and general sentiment of employees• Implementation of various health and wellness programs• Regular updating of Occupational Safety and Health (OSH) policies across all facilities
Investors & Shareholders	<ul style="list-style-type: none">• Business performance and outlook• Stock price and dividends• Company's compliance with government regulations	<ul style="list-style-type: none">• Annual stockholders meeting• Investor's briefings• Formal meetings and conference calls with investors and analysts• Annual Report and Sustainability Report publication• Securities and Exchange Commission (SEC) disclosures and press releases• GSMI corporate website• Investor Relations Hotline to address inquiries and concerns	<ul style="list-style-type: none">• Open communication channel and constant engagement with investors, analysts and regulators• Timely submission and transparency of information in financial and business performance reports• Business plans geared towards increasing shareholder value• Issuance of dividends based on performance and business affordability• Strong corporate governance and risk management procedures
Communities	<ul style="list-style-type: none">• Impact of company operations on surrounding communities• Performance of basketball team (Gin Kings) in the Philippine Basketball Association (PBA)	<ul style="list-style-type: none">• Corporate Social Responsibility (CSR) projects - health, education, and livelihood programs• Partnership with local cooperatives• Local fiesta activations• PBA games and other social events	<ul style="list-style-type: none">• Compliance with applicable rules and regulations• Local CSR activities in partnership with Local Government Units (LGUs) and nearby communities• Inclusive growth through direct and indirect creation of jobs, increase in economic activity, and contributions to local business tax• Strong support to keep basketball team competitive and access to players during special events
Government & Regulators	<ul style="list-style-type: none">• Compliance with applicable laws and regulations• Taxes and other regulatory fees• Partnership opportunities between company and LGUs	<ul style="list-style-type: none">• Attendance of seminars organized by the government as needed• Meetings with LGUs as needed• Participation in dialogues and hearings conducted by government and regulatory agencies	<ul style="list-style-type: none">• Compliance and timely submission of reports, disclosures and renewal of permits• Updating and alignment of operational policies and systems with latest regulations• Business ethics and governance• Collaborations with LGUs and other government agencies on matters concerning the spirits industry, the company and its subsidiaries

Doing Our Part Toward the UN Sustainable Development Goals



Clean Water and Sanitation

GSMI supports SMC group's Water for All initiative 50 X 2025, which aims to reduce water consumption across the group by 50% by 2025. We are also committed to complying with the Clean Water Act and ensure that water discharged are below the limits set.



Decent Work and Economic Growth

GSMI operations transcends to other industries, contributing to the indirect economic growth of other companies and industries. The company ensures the health and safety of employees, and implements strict regulations. Policies and regulations are in place in all its facilities to promote a safe and healthy work environment.



Responsible Consumption and Production

GSMI guarantees quality products and proper labeling in all products. By constantly innovating its processes to improve its production line and research and development to expand its product portfolio. This is supported by the numerous awards and accreditation of GSMI.



Reduced Inequality

GSMI promotes non-discrimination in the workplace. Ensuring equal opportunity for applicants, employees, business partners, setting aside biases against race, gender, age, cultural, religious beliefs and any other form of preferences.



Climate Action

GSMI is conscious of its contribution to climate change, and constantly innovates its processes to decrease its contribution.



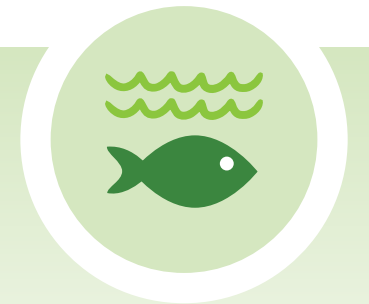
Life on Land

GSMI has tree planting activities in partnership with LGUs. The company has continued to preserve its Mangrove Reforestation project, which was an initiative started in the mid-1990s and currently we are maintaining 14 hectares of mangrove area



Quality Education

GSMI collaborated with TESDA to develop a bartending academy to help students develop their skills in bartending and flairtending.



Life Below Water

GSMI has various initiatives, river clean ups and coastal clean ups, that promote life below water.



Gender Equality

GSMI has a 6:4 ratio of men to women in the senior management level. Although the company's population is predominantly male because of the nature of the business, the company gives equal opportunity to its employees.

Environmental Stewardship

As stewards of the environment, we recognize the need to embrace the challenges of redefining our business practices to align with sustainability principles. We always strive to maintain ecological balance through the reduction of our GHG emissions, conservation of natural resources and responsible waste management.

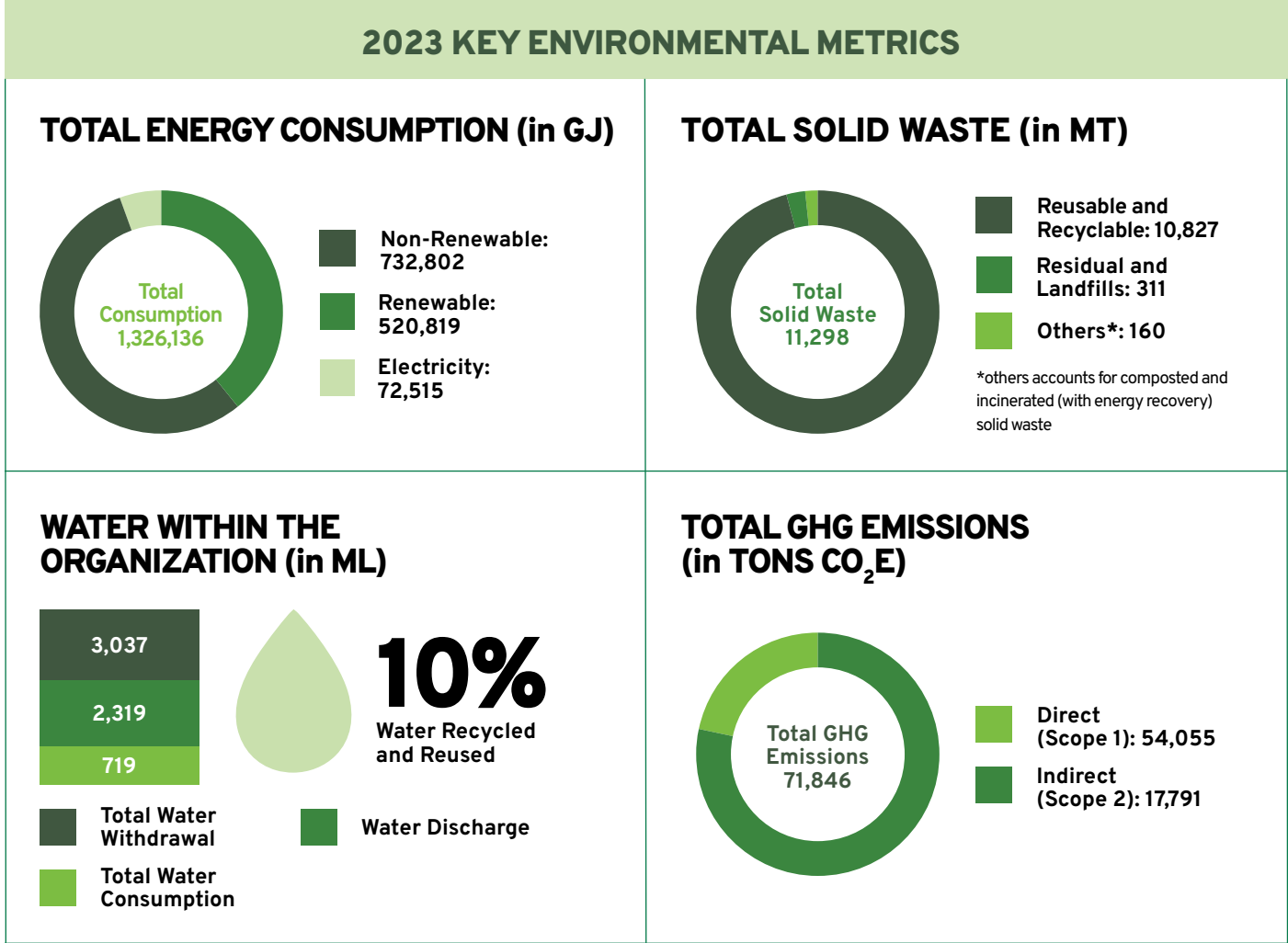
One sustainability initiative gaining ground in the Philippines and across the globe is closed-loop circular economy. Manufacturing practices are gradually shifting away from the traditional “take-make-waste” linear economy to the greener model that envisions a world where natural resources and ecosystems are not overworked because wastes are designed for a cycle of disassembly and reuse. We firmly believe in the wisdom of circular economy and for years, we have fully embraced its principles.

At GSML, we maximize the use of input materials, and even find use for some of our manufacturing byproducts and

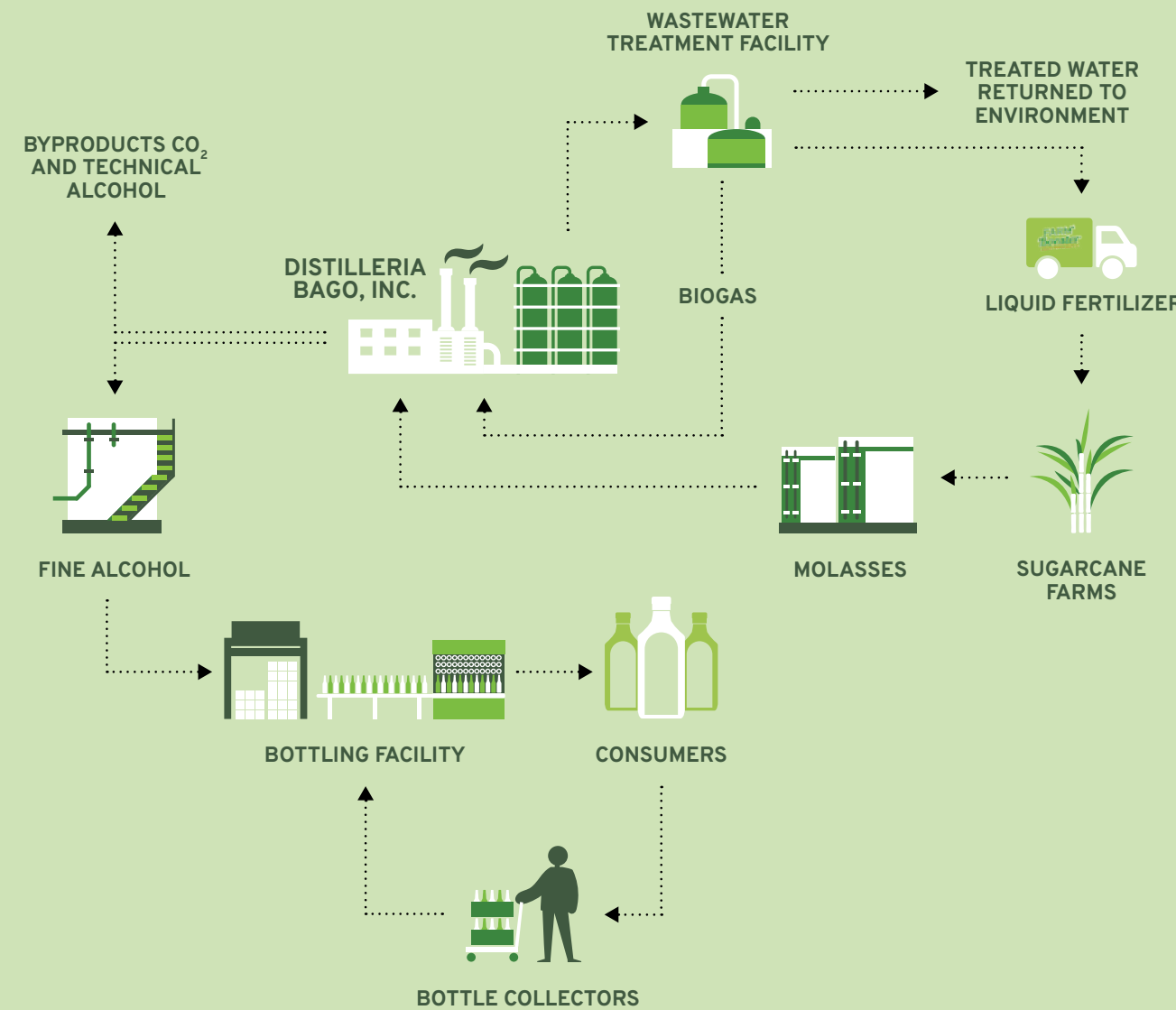
waste. From utilizing mainly molasses (once considered as waste of sugar production) as feedstock for alcohol production, to reusing of discarded Ginebra bottles, these materials are given a new purpose.

Moreover, byproducts of our production like technical alcohol and carbon dioxide are utilized by other sectors like vinegar and carbonated beverage manufacturers. Also, the series of processes involving our treatment of wastewater allows us to produce biogas that fires our boilers and generates steam and power effectively reducing greenhouse gas emissions, and liquid fertilizer which helps our sugarcane farmers boost their crop yield.

GSML has long come full circle adapting smart strategies in producing our world-class gin—from sourcing of raw materials down to packaging. We have made substantial wins both for the environment and the company: a smaller carbon footprint and a substantial drop in our manufacturing cost.



Embracing the Circular Economy



Water for All: Building a Sustainable Future Through Water Conservation

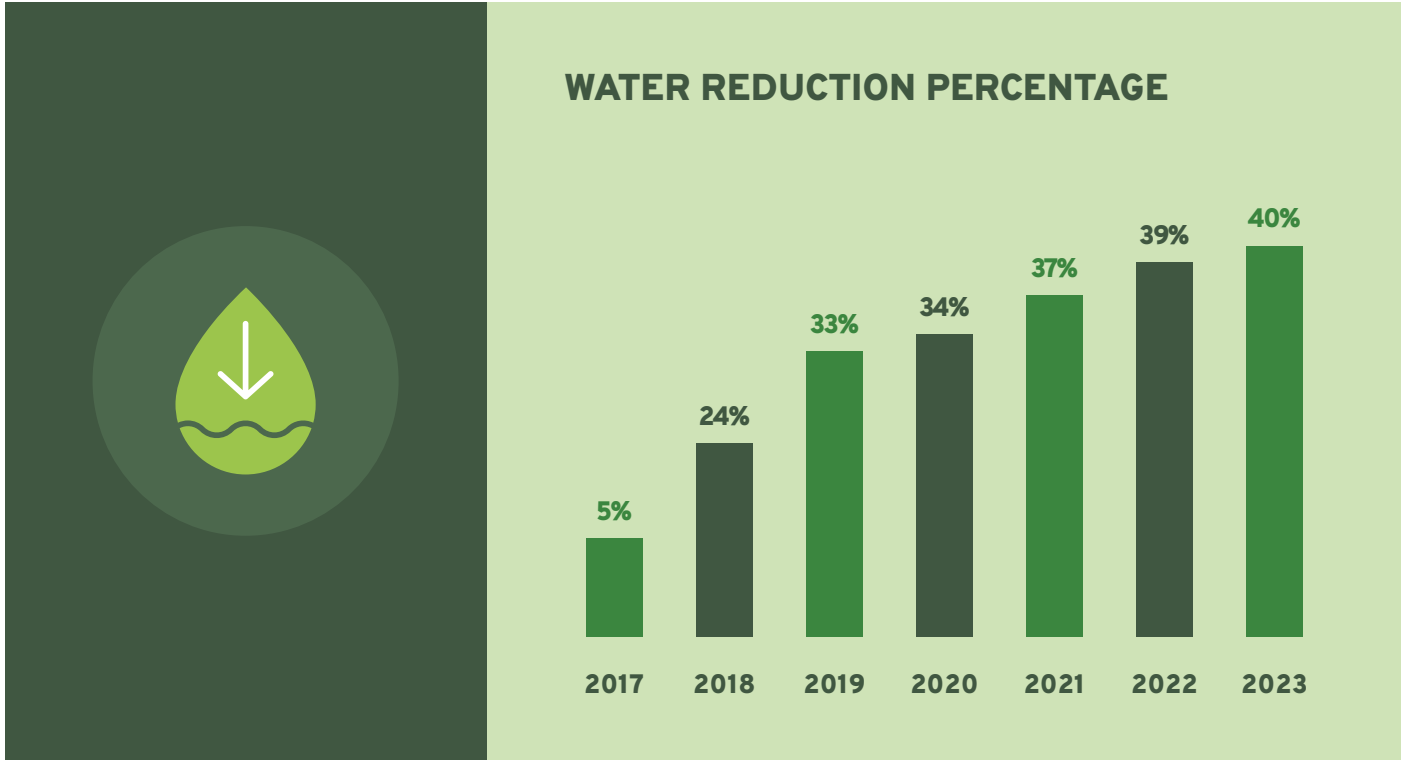
We have always stayed one step ahead and initiated sound and proactive measures to manage our water consumption since 2015 - all of which were reinforced by our parent San Miguel Corporation’s Water for All or Project 50 X 2025, launched in 2017, as part of its commitment to the United Nations Sustainable Development Goals. The conservation drive targets a 50% reduction in water consumption across the SMC group by 2025.

At the heart of our Water Resource Management (WRM) Program, which is strictly enforced in all our facilities, is our commitment to maximize water use in our operations. Our WRM efforts reduced our water usage by 40%. This feat can be attributed to the various initiatives under its WRM program, which include water reuse and recycling, adjustments in operation towards optimum water usage, rainwater harvesting, and regular usage and leak audits. Across our facilities, we installed water meters in key areas to properly account for water usage and set baseline

level data. Such move also became critical in identifying specific areas of water treatment and production where water conservation and recycling programs have the most substantial impact.

At our bottling facilities, we made improvements in our water treatment strategies and bottle washing processes to effectively reduce water consumption. This also includes the collection and recycling of equipment’s water discharge and utilizing them for other purposes. So far, 3 of our 6 of our facilities have already achieved 50% water reduction, 2 years ahead of schedule based on SMC’s Water for All campaign.

To sustain our water conservation measures, we continue to study our water consumption and evaluate quality trends and explore other opportunities for recycling, reuse, and recovery.



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Implementing our water savings program demonstrates our commitment to responsible resource management and sustainable business practices.

Saturnino G. Pajarillo Jr.
National Manufacturing Manager

Social Engagement

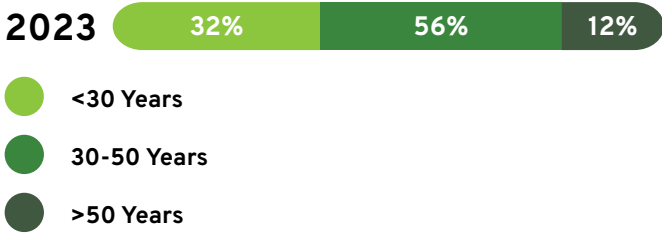
With Malasakit at the heart of all our efforts, we act with care and responsibility to have a positive impact on our employees, business partners and our communities.

Being a responsible company, social sustainability is tightly woven in our consciousness as a business. We always strive to understand and address social challenges of our stakeholders by listening intently to their concerns and promoting positive social change in areas where we are present and influence. Focusing on creating inclusivity, reducing inequality, ensuring long-term well-being, and preserving social justice.

Moreover, we have long embraced diversity and inclusion at the work place. Our organization is fertile ground for creativity, innovation and collaboration. We also maintain a safe and healthy work environment, provide comprehensive remuneration package, and extend equal opportunity for growth and career advancement to each of our employees. And above all, we foster a culture of respect and dignity where everyone feels valued and empowered.



EMPLOYEES BY AGE GROUP



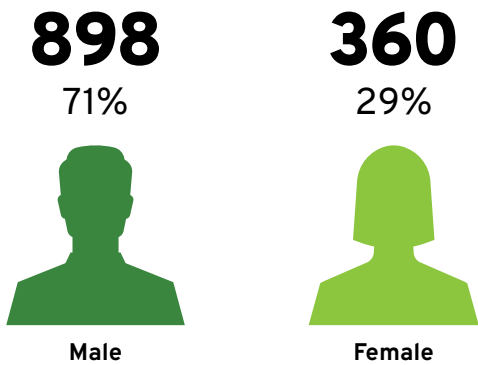
And as our company makes greater strides in attaining its business goals, we also work to constantly fulfill our social responsibility to the country through strategic investments that contribute to sustainable and progressive development. After all, our company credits its longevity and ability to grow all these years through sustainable practices in the way we do business.

Our Corporate Social Responsibility (CSR) initiatives support our mission of uplifting lives and building self-reliant partner-communities through environment protection, access to education and decent work, and sharing the value of Malasakit through philanthropy and nation-building efforts.

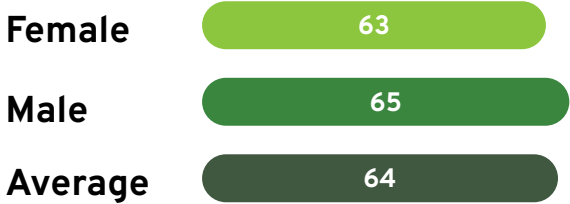


Beginning with our employees, who are the lifeblood of our organization, the continued success of our business lies in our capable and highly engaged workforce. Thus, we ensure to provide our employees with expansive learning and training that would allow them to reach their full potential, and consequently aid the company achieve its business goals.

EMPLOYEES BY GENDER



AVERAGE TRAINING HOURS



Training and Development

Continuing education is essential to the holistic development of our employees. Our customized training programs, formal and informal, are designed for skills enhancement, improvement of technical efficiency and increase in overall productivity.

Healthy and Safe Workplace Environment

Our workplace is our second home, that is why we maintain a safe and healthy work environment conducive for development and growth of our employees. Our Occupational Safety and Health (OSH) Management System adheres to all relevant government standards and we enforce strict compliance in all our facilities nationwide.



GSM Bar Academy: Transforming Lives Through Education

Ginebra San Miguel Bar Academy, a bartending school built through an over ten-year partnership with the Technical Education and Skills Development Authority (TESDA), has been a catalyst for personal growth and transformation in the lives of Filipino youths. It has provided them with world-class bartending and flairtending education and access to state-of-the-art facilities, empowering them to pursue their dreams and excel in the industry.

The partnership began when Ginebra San Miguel Inc. (GSMI) joined TESDA's existing TESDA Specialista Technopreneurship Program (TSTP) in 2014. Through this initiative, GSMI provided beneficiaries with scholarships and livelihood opportunities through mobile bar kits that were given upon graduation. To further elevate the quality of student training and to align them with global bartending standards, GSMI went all out with its support and established the Ginebra San Miguel Bar Academy. With its world-class equipment and facilities - a modern hotel-style dining area, a spacious bar counter, and a fully-stocked liquor bar, students are now better equipped, making them highly sought-after bartenders in the industry.

GSMI's unwavering support and commitment to its students are also evident in the continuous upgrades and refurbishments of the academy to fully cater to their needs and ensure that the equipment and facilities remain at the forefront of industry standards.



To date, the GSM Bar Academy has produced hundreds of graduates with a 97 percent employment rate for its graduates, who now fulfill their dreams as mixologists in top bars and restaurants nationwide.



Ginebra San Miguel is the only liquor company to have received TESDA's National Kabalikatan Awards for developing, enhancing, and implementing training programs that have improved the employability of Filipino skilled workers.

The program's impact on transforming lives was also recognized by The Green Organisation, a respected CSR award-giving body based in the United Kingdom, which awarded GSMI with the prestigious International CSR Excellence Award. This international award, given to socially responsible companies, acknowledges Ginebra San Miguel's "malasakit" towards underprivileged Filipinos.

Moving Forward



As it has been the past 190 years, consistent product quality, constant innovation, and continued brand relevance are some of the critical ingredients that would ensure our success in the years to come.

Listening and adapting to customers' needs and the agility of our operations to meet market demand would go hand-in-hand with our collective experience distilled over the years. Our commitment is firm on continuous product development, considering prevailing trends in the industry and emerging consumer habits.

We will be more deliberate in putting effort into research and innovation programs as new technologies emerge to further improve operational efficiencies and invest in people development to sustain business growth in the coming years. Our sustainability roadmap will be aligned with the company's new set of long-range plans and support the achievement our parent San Miguel Corporation's sustainability targets.

As a manifestation of our malasakit for our neighbors, we reaffirm our commitment to be a valued member of our host communities as we sustain our existing programs and partnerships with our stakeholders.

Our environmental advocacy programs such as tree planting and clean-up activities will also be regularly done with our partner local government units.

These initiatives will ensure our sustained, holistic growth as a responsible corporate citizen that helps improve the lives of our communities and continue to inspire the future generation.



Board of Directors

Mr. Ramon S. Ang
President

Mr. Francisco S. Alejo III

Ms. Aurora T. Calderon

Mr. Leo S. Alvez

Mr. Gabriel S. Claudio

Justice Francis H. Jardeleza

Ms. Ana Leah V. Rodriguez

Justice Aurora S. Lagman

Justice Martin S. Villarama, Jr.

Corporate Governance

Ginebra San Miguel Inc. (“GSMI” or the “Company”), its Board of Directors (the “Board”) Management, Officers, and employees firmly believe that corporate governance is a necessary component of what constitutes sound strategic business management and in the vital role it plays to attain corporate goals and create and sustain shareholder value.

On August 6, 2002, the Company, through its Board, institutionalized the principles of good corporate governance in the entire organization by establishing and implementing the Company’s Manual on Corporate Governance (the “CG Manual”). Since its adoption, the CG Manual has undergone a number of amendments in order to align the provisions thereof with the prevailing issuances, rules, and circulars of the Securities and Exchange Commission (the “SEC”), the most recent of which is the Memorandum Circular No.19, Series of 2016 (the “Circular”), on the Code of Corporate Governance for Publicly-Listed Companies which took effect on January 1, 2017. Conformably with the Circular, the Company formally approved and adopted an amended or new CG Manual on May 25, 2017.

BOARD OF DIRECTORS

Compliance with the principles of good corporate governance starts with the Board. In the performance of its fiduciary roles, duties, and responsibilities, the Board has always conducted itself with utmost honesty, integrity, transparency, accountability, and fairness, with the objective of ensuring that the interest of all stakeholders is considered and protected.

The Company is headed by a competent Board, which has the combined knowledge, expertise, and experience of its members that enabled the Company to sustain its

competitiveness and profitability, in a manner consistent with its corporate objectives and the long-term interests of its stakeholders.

The Board is composed of nine (9) directors who are elected annually at the regular stockholders meeting (“RSM”) scheduled on the last Thursday of May, unless a different date is fixed by the Board. Two (2) members of the Board are 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. Currently, the Company is headed by the President, who is also the Chief Operating Officer. He has supervision and direction of the day-to-day business affairs of the Company and he presides over the meetings of the Board of Directors and of the Stockholders in the absence of the Chairman and Vice Chairman. Moreover, the Board has a Lead Independent Director to ensure that the Independent Directors shall be free to express and advocate independent views and perspectives and that abuse of power or authority and potential conflict of interest are avoided.

During the 2023 RSM that was held on May 25, 2023, the stockholders elected six (6) male and three (3) female directors. Director Ramon S. Ang was elected as the President, while Directors Aurora S. Lagman and Martin S. Villarama, Jr were the elected Independent Directors, with the former being elected as the Lead Independent Director of the Company. Directors Francisco S. Alejo III, Aurora T. Calderon, Leo S. Alvez, Gabriel S. Claudio, Francis H. Jardeleza, and Ana Leah V. Rodriguez completed the 9-member Board of the Company.

BOARD COMMITTEES

To support the effective performance of the Board’s functions, the Board has four (4) committees, namely:

Executive Committee. Acts within the power and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, except as specifically limited by the Board or by law.

Audit and Risk Oversight Committee. Performs the functions of the Audit, Board Risk Oversight, and Related Party Transactions Committees. Among others, it enhances the oversight capability of the Board over the Company’s financial reporting, internal control system, internal and external audit process and compliance with applicable laws and regulations. It likewise has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place to guide the Board in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans, and opportunities. Also, it oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting related-party transactions.

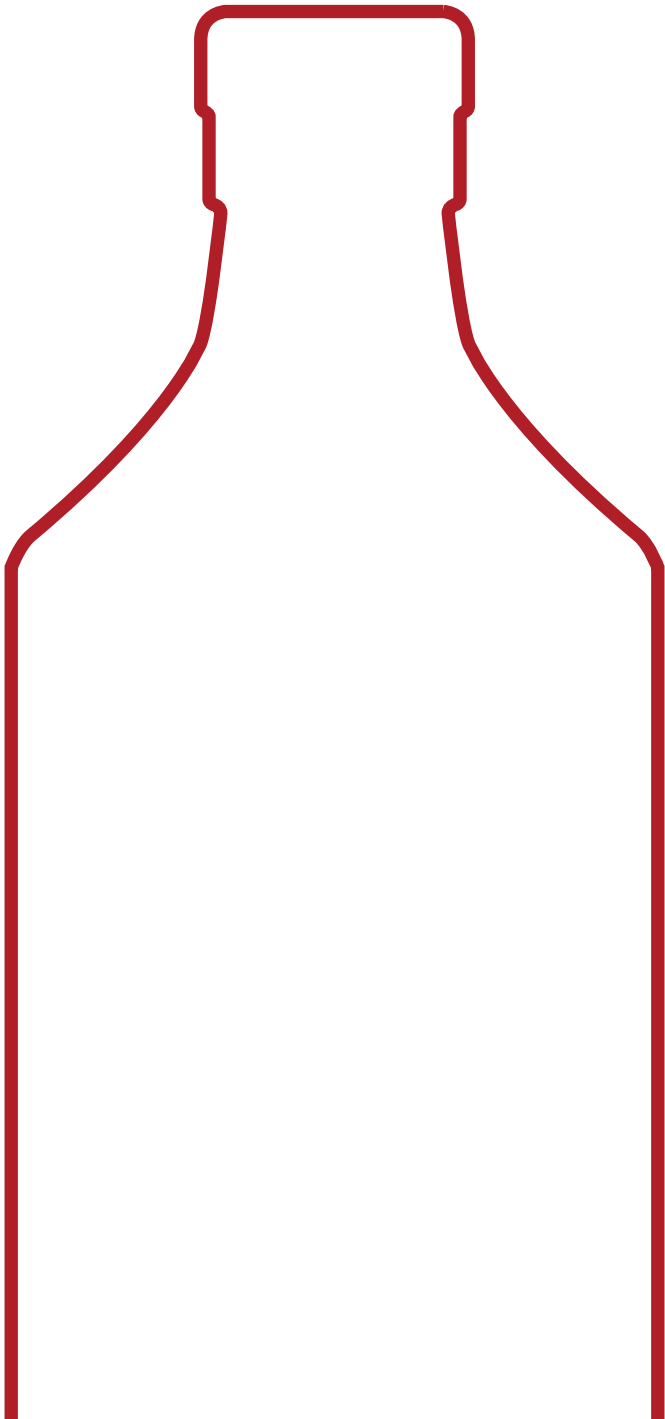
Corporate Governance Committee. Assists the Board in the performance of its corporate governance responsibilities. Among others, it oversees the implementation of the corporate governance framework and periodically reviews the same to ensure that it remains appropriate. It also pre-screens and shortlists candidates for nomination to become a member of the Board in accordance with the qualifications and disqualifications for directors set out in the CG Manual.

Executive Compensation Committee. Advises the Board on the establishment of formal and transparent policies and practices on remuneration of directors and executives. It provides oversight function over remuneration of senior management and other key personnel, ensuring consistency with the Company’s culture, strategy and control environment.

BOARD AND COMMITTEE PERFORMANCE

Committed to its fiduciary duties and responsibilities, the Board members meet at least five (5) times a year through meetings held at periodic intervals at such

places as may be designated in the notice. Considering the operations of the Company, as well as its reportorial obligations to the regulatory bodies, schedule of meetings of the Board, Audit and Risk Oversight Committee and Corporate Governance Committee are determined and relayed to the directors ahead of time to enable them to arrange their respective schedules and see to it that they are available to attend the said meetings. The different Board Committees also meet, as and when necessary. Prior to the date of each meeting, the Corporate Secretary sends notices and agenda to each Director, together with other information/ documents, to enable the directors to actively participate and express their opinions, and for valuable discussions to take place during meetings.



In 2023, the Board held four (4) regular meetings and one (1) organizational meeting. The Board members also attended the 2023 RSM, as shown in the table below:

2023 BOARD MEETING ATTENDANCE				
Board of Directors	Designation	MAY 25, 2023		Board Meeting Attendance
		Regular Stockholders Meeting (RSM)	Organizational Meeting	
Ramon S. Ang	President	Present	Present	5/5
Francisco S. Alejo III	Director	Present	Present	5/5
Aurora T. Calderon	Director	Present	Present	5/5
Leo S. Alvez	Director	Present	Present	4/5
Gabriel S. Claudio	Director	Present	Present	5/5
Francis H. Jardeleza	Director	Present	Present	5/5
Ana Leah V. Rodriguez	Director	Present	Present	5/5
Aurora S. Lagman	Lead Independent Director	Present	Present	5/5
Martin S. Villarama, Jr.	Independent Director	Present	Present	5/5

As for the Board Committee Meetings, details of the attendance of the Directors in the Committee meetings in 2023 are shown below:

2023 BOARD COMMITTEE MEETING ATTENDANCE		
Member	Audit and Risk Oversight	Corporate Governance
Ramon S. Ang	n/a	n/a
Francisco S. Alejo III	4/4	n/a
Aurora T. Calderon	n/a	1/1
Leo S. Alvez	3/4	1/1
Gabriel S. Claudio	n/a	1/1
Francis H. Jardeleza	n/a	n/a
Ana Leah V. Rodriguez	n/a	1/1
Aurora S. Lagman	4/4	1/1 (Chairman)
Martin S. Villarama, Jr.	4/4 (Chairman)	1/1

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.

Board Training and Self-Assessment by the Board and Audit and Risk Oversight Committee

The members of the Board keep themselves abreast with industry developments and business trends. Moreover, the Company's Compliance Officer regularly apprise the directors during Board meetings, on the relevant laws, regulations, government issuances, and relevant industry developments and operations of the Company, and advises the Board on all relevant issues as they arise.

The Directors also regularly attend a seminar or program on corporate governance at least once a year. In 2023, all the directors attended a corporate governance seminar conducted by SEC-accredited providers - Risk, Opportunities, Assessment and Management (ROAM), Inc., SGV & Co., and Center for Global Best Practices, in compliance with the requirement of the SEC.

The members of the Board also accomplished an Internal Self-Rating Form (the "Form") for the purpose of evaluating the Board's performance for 2023. The Form covers four (4) broad areas of Board Performance: (1) Fulfillment of the Board's Key Responsibilities; (2) Board-Management Relationship; (3) Effectiveness of Board Processes and Meetings; and (4) Individual Performance of Board Members. The Form requires the Board members to read each statement and rank their response on the 5-point scale directly below each statement, with "1" indicating that they strongly disagree with the statement and "5" indicating that they strongly agree with the statement. Additional space is also provided for their comments. Based on the accomplished Forms, the Board has substantially met its mandate.

The members of the Audit and Risk Oversight Committee also accomplished an Internal Self-Rating form for the purpose of evaluating the said Committee's performance for 2023. The Form covers the following areas: (1) Structure, Operation and Reporting Process; (2) Oversight on Financial Statements and Financial Reporting; (3) Oversight on Internal Controls and Risk Management; (4) Oversight on Internal Audit; (5) Oversight on External Audit; and (6) Compliance with Legal and Regulatory Requirements. The Form requires the said Committee members to read each statement and rank their response on the 5-point scale directly

below each statement, with "1" indicating the they strongly disagree with the statement and "5" indicating that they strongly agree with the statement. Additional space is also provided for their comments. Based on the accomplished Forms, the said Committee has also substantially met its mandate.

Management

In 2023, the Company's Management is under the leadership of President Ramon S. Ang, with the latter being assisted by General Manager Emmanuel B. Macalalag. The President is responsible for the general supervision, administration and management of the business of the Company as well as the day-to-day business affairs of the Company. He presides at the meetings of the Directors and stockholders and exercises such powers and perform such duties and functions as the Board may assign to him. The General Manager reports to the President and is charged with overseeing the overall management of the Company's various departments with the aim of continuously improving the Company's business operations and attainment of corporate objectives. The Senior Management of the Company, who are composed of individuals with knowledge and expertise in their respective fields, provide valuable support in achieving the Company's corporate goals and objectives.

ACCOUNTABILITY AND AUDIT

The Company has internal and external auditors, whose respective reports and recommendations are considered by the Company in conducting its business affairs. The Board ensures that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operations information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts. The Board also established the Audit and Risk Oversight Committee to, among others, enhance the oversight capability of the Board over the Company's financial reporting, internal control system, internal and external audit process, and compliance with applicable laws and regulations, the said Committee performs oversight functions to both external and internal auditors of the Company.

Internal Auditor

The Company's internal audit function is performed by Ginebra San Miguel Group Audit (the "GSMGA"), which is headed by the Chief Audit Executive, who reports functionally to the Audit and Risk Oversight Committee and administratively to the President and General Manager. The GSMGA provides independent, objective assurance and consulting services to add value and improve the operations of GSMI and its subsidiaries (hereinafter referred to as the "GSMI Group"). It also helps each function or organization in the GSMI Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The GSMGA is mandated to provide an independent risk-based assurance service to the Board, perform compliance audit, establish a risk-based audit plan, and review the efficiency and effectiveness of the internal control system of all areas of the GSMI Group, to name a few.

External Auditor

The External Auditor of the Company for 2023 is R.G. Manabat & Co. ("KPMG"), an auditing firm duly accredited with the SEC. Through the conduct of an independent audit of the Company and the provision of objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders, the External Auditor is able to help maintain the prevalence of an environment of good corporate governance as reflected in the Company's financial records and reports. The External Auditor regularly apprises the Audit and Risk Oversight Committee of the status of its audit.

KPMG's appointment as External Auditor was approved by the Board upon the recommendation of the Audit and Risk Oversight Committee, which appointment was subsequently approved by the stockholders during the RSM held on May 25, 2023. While KPMG has been the External Auditor of the Company for several years, such reappointment in 2023 is compliant with Part I (3) (b) (ix) of the Securities Regulation Code (the "SRC"), Rule 68, as amended, with respect to the re-engagement of the said audit firm and the rule on rotation for the signing partner every five (5) years or earlier. Representatives of the audit firm were present during the said RSM and were given the opportunity to respond to appropriate

questions or make a statement, if it so desired. 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 P 8.8 million in 2023.

There were no disagreements with the Company's External Auditor on any matter relating to accounting and financial disclosures.

DISCLOSURE AND TRANSPARENCY

The Company, as a publicly-listed company with shares listed with The Philippines Stock Exchange, Inc. (the "PSE"), recognizes the importance of updating its stakeholders with relevant and Company-related information. Thus, it adheres to full disclosure and transparency in its transactions, and it does so by providing comprehensive, accurate, reliable, and timely information through the prompt filing of various reports, notices, and documents (collectively, the "Corporate Disclosures") to the SEC and PSE and through regular investor's briefings. These Corporate Disclosures are likewise uploaded in the Company's website for easy access of the stakeholders. They refer to material information about the Company, i.e., anything that could potentially affect share price or its viability or the interest of its stockholders and other stakeholders, such as financial results and position, acquisition or disposal of significant assets, material related party transactions, and shareholdings of Directors. Through these Corporate Disclosures, the Company is able to provide its stakeholders with a fair and complete picture of the Company's financial condition, results and business operations, as well as the quality of its corporate governance.

Ownership Structure

The stakeholders are made aware of the shareholding structure of the Company through the numerous reports filed with the SEC and PSE. The Company files with the SEC the following reports, which contain information about its ownership structure: General Information Sheet, SEC Form 17-A, Audited Financial Statements, and Information Statement ("IS"). These reports are likewise submitted to the PSE. For the PSE alone, the Company regularly files the Top 100 Stockholders,

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Financial Reporting

Compliant with the requirements of the Securities Regulation Code, the financial results of the Company for the first three (3) quarters of the relevant year are disclosed to the stakeholders through SEC Form 17-Q filed with the SEC and PSE, within forty (45) days from the end of the relevant quarter. The Audited Consolidated Financial Statements for the latest completed financial year, which are included in Definitive Information Statement or SEC Form 20- IS (the “IS”) that is distributed to the stockholders, are released and duly disclosed to the SEC and PSE within fifteen (15) business days prior to the RSM. The financial information on these reports are also disclosed to the financial and investment analysts through the quarterly Investors’ Briefing and ultimately to the investing public, as the presentation materials for the said briefing are also filed with the PSE.

The Company’s financial reports are all prepared in compliance with the Philippine Financial Reporting Standards (PFRS), which are based on International Financial Reporting Standards issued by the International Accounting Standards Board. The Audited Parent and Consolidated Financial Statements as of December 31, 2023 of the Company were approved and authorized for submission and filing with the concerned regulatory bodies by a resolution of the Board on March 6, 2024.

Related Party Transactions

The Company has significant transactions with related parties pertaining to purchases of containers, bottles, and other packaging materials, as well as the sale of liquor and by-products. It has also entered into

various lease agreements with related parties as a lessor and lessee. These transactions are made in the ordinary course of business at normal market prices and terms. Related party transactions (the “RPTs”) are fully disclosed in the Audited Consolidated Financial Statements of the Company.

The Audit and Risk Oversight Committee evaluates on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in related parties are noted. It also evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

Conformably with the Material Related Party Transactions Policy of the Company, the Company, with the approval of the Board, engaged the services of Punongbayan and Araullo (the “P&A”), an external independent party, tasked to evaluate the fairness of the terms of transactions that may qualify as “Material RPTs”. These are transactions with related parties that meet the materiality threshold in terms of transaction value amounting to a minimum of 10% of the total consolidated assets of the Company based on the latest audited financial statements of the Company. The P&A has determined that the Company’s material RPTs in 2023 met the fairness test. Consequently, such transactions, upon the recommendation of the Audit and Risk Oversight Committee, were approved by the Board.

STOCKHOLDERS’ RIGHTS

Dividends

The Company’s Articles of Incorporation (“AOI”) provides for the right of stockholders 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, 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 to further strengthen the rights of the stockholders to dividends.

In 2023, the Board approved the declaration of regular cash dividends to stockholders in the amount of Php 0.75 per common share on March 8, May 9, August 2, and November 8, 2023. In addition, the Board likewise approved the declaration of special cash dividends in the amount Php1.75 per common share on the same dates.

Stockholders’ Meeting

The Company recognizes that the stockholders’ meeting, whether regular or special, is a great opportunity for stockholders to actually express their sentiments, opinions, as well as ask questions to the Board and Management. Thus, the Company sees to it that its stockholders are informed of the details of stockholders’ meetings through the IS sent to each stockholder at least fifteen (15) business days before the scheduled date of the meeting. The IS contains the notice, date, time, venue and agenda of the meeting, information pertaining to proxies, deadline for submission thereof and date of their validation as well as other relevant information about the Company. For the 2023 RSM, the IS was made available to the stockholders on April 26, 2023.

The draft minutes of stockholders’ meetings of the Company are uploaded in the Company’s website within five (5) business days from the date of the relevant meeting.

Voting Rights and Voting Procedures

Each share, whether common or preferred, registered in the name of the stockholder entitles such stockholder to one (1) vote. Stockholders have the right to elect, remove, and replace Directors as well as vote on certain corporate acts in accordance with the Revised Corporation Code. In electing members to the Board, every stockholder is entitled to cumulate his votes in accordance with the provisions of law. Voting procedures on matters presented for approval to the stockholders in the RSM are set out in the IS.

Pre-emptive Rights

All stockholders have the right to subscribe to all issues of shares of the Company in proportion to their shareholdings, unless the same is denied in its Articles of Incorporation (the “Articles”) or an amendment thereto. Under the Company’s Articles, stockholders do not have pre-emptive rights to subscribe to the convertible preferred shares or to subscribe to the common shares to be issued by the Company upon conversion of the preferred shares and the conversion of any notes issued to redeem such preferred shares. Subject to certain conditions and threshold on the percentage of shares allotted to be issued pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans (collectively, the “Plans”), stockholders do not have pre-emptive rights to shares issued, sold or disposed of by the Company to its Officers and/or employees pursuant to such Plans.

STAKEHOLDER RELATIONS

At the forefront of the Company’s business principles is transparency. It applies this principle in all its dealings with its stakeholders, which include, among others, its customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates, and sees to it that their rights as established by law, contractual relations, and through voluntary commitments, are respected.

The Company, through the different channels of communication, is always within easy reach. When the rights and interests of stakeholders are at stake, they can communicate with the Company to obtain prompt effective redress for the violation of their rights. Ensuring cooperation among the Company and its numerous stakeholders in creating wealth, growth and sustainability is crucial to the Company’s success.

Right to Information of Stakeholders and Investor Relations

Transparency is manifested in the Company’s Corporate Disclosures filed with the SEC and PSE, which relates to the Company, its directors and officers, as well as its operations and, transactions. Stakeholders can request for hard copies of these documents, as well as make inquiries through, among others, the Investor Relations Office of the Company and San Miguel Corporation (the “SMC”).

The Company also holds combined Investors' Briefings with SMC and other SMC subsidiaries on a regular basis, the date and agenda for which are disclosed to the PSE at least three (3) days before the holding thereof. Materials for the said briefings are also disclosed to the PSE on the scheduled date of the briefing.

EMPLOYEE RELATIONS

The Company believes that its greatest strength has always been its people – from the visionary leaders to the competent and dedicated managers and staff who make up the organization. Hence, it provides valuable benefits to its employees such as Medical, Leave, Insurance, Work-Life, Learning and Education, Loan, and Retirement or Separation that are over and above what is required by law.

The Company's Medical Benefits include an extensive medical coverage for regular employees through an accredited Health Maintenance Organization provider. The coverage is inclusive of outpatient, inpatient, emergency and preventive care, annual physical examination, and dental care. Prescribed medicines are also issued by the Company's clinic free of charge. Leave Benefits are paid with vacation, sick and emergency leaves being given to regular employees under certain guidelines. Work-Life Benefits include rice ration, uniform, wedding gift, and burial assistance. Learning and Education Benefits include Educational Program (EDPRO) and Professional Board Examination Incentive. Under the EDPRO, a monetary assistance is provided to regular employees who wish to pursue further studies for career growth based on set eligibility standards. On the other hand, the Board Incentive which is equivalent to one-month basic pay, is awarded to an employee who passes a government board examination that is administered by the Professional Regulation Board. The said board examination, however, should be considered by the Company to be a requirement for the employee's field of specialization or in technical fields considered as relevant to the Company's operations and to the employee's career path.

The Company is also committed to (1) providing its employees with programs for their professional and personal growth; and (2) promoting a culture of open communication, teamwork, continuous improvement, and learning. The Learning and Development Programs

of the Company are classified into formal and informal trainings. Formal trainings include corporate training programs, functional or technical school training programs, and e-learning. These are facilitated by the Company's Human Resources Department, Technical Schools and other external training institutions. Informal trainings, on the other hand, include on-the-job training, developmental/special assignment, job rotation/transfer, coaching and mentoring. In addition, the Company is guided by the following course curriculum:

- **Work Support Programs**, refer to training programs that are designed to develop employees' skills, help them perform effectively in their roles, and foster team effectiveness and personal mastery. These programs are focused on general development, personal excellence, communication, creativity, innovation, productivity, and customer orientation;
- **Technical Programs**, refer to training programs that are designed to maintain and develop the core skills required in specific function of the business. These programs are organized and administered by the respective functional schools of each department namely: Alcohol and Liquor Technology Institute, Manufacturing School, Logistics School, Sales and Marketing School, Human Resources School, and Distileria Bago, Inc. Technical School; and
- **Leadership and Management Programs**, refer to training programs that are designed to develop the Company's supervisors, heads, managers and executives' leadership and management skills.

In 2023, the Company provided opportunities to its employees, as well as the employees of its subsidiaries, to attend the following training programs offered by SMC that cater to the employee and organization's needs:

- **SMC – Ateneo Leadership and Management Development Program** - This program aims to harness leadership and management potential and help transform managers into effective organizational change leaders and valuable members of the whole enterprise. The customized courses enrich cross-functional expertise and build a general management perspective, providing young leaders with the critical skills for success;

- **AIM Executive Management Development Program** - This program is tailored for executives and leaders who are constantly managing change to lead, inspire, and transform a hyper-connected workforce. The program primes the participating executive for self-awareness, personal mastery, and transformation leadership in today's business context. The building block approach and progression of learning themes, modules and topics deliberately become more complex, as the participant engages co-participants, faculty, peers, and colleagues as learning partners; and

- **Sustainability Management Program** - The sustainability imperative: ESG from concept to action. This program introduces basic concepts of corporate sustainability, gives example of how different companies embedded environmental, social and governance (ESG) into their strategies and activities, and explores ESG initiatives for local companies. This will benefit SMC leaders who wish to be more familiar with the language and concerns of sustainability, or who need to participate in the execution of the Company's sustainability strategies and initiatives.

Aside from the above programs offered by SMC, the Company utilizes various platforms to provide effective and purposive training to enhance competencies of its employees. The following are the programs offered by the Technical Schools or provided by external training institutions:

- **Work Support Programs** - Personal Effectiveness, Code of Champions, 7 Habits of Highly Effective People, Work-Life Harmony, and Malasakit Learning Sessions are conducted to promote employees' health, wellbeing, and personal development. Other alternative programs also include Financial Wellness, Fostering Creativity at Work, and Effective Communication and Presentation Skills;
- **Technical Programs** - Alcohol and Liquor Technology, Road Safety and Defensive Driving, Basic Selling Systems and Procedures, Fermentation and Distillation, and Strategic Marketing were some of the courses offered by the Technical Schools. To ensure that the employees are updated with

new trends, technologies and processes in the industry, the Company encourages its employees to participate in local and international conferences, forums, and events such as Advanced Financial Statement Analysis, Competency-Based HR Management, Practical Category Management, People Management Association of the Philippines Convention and Chemical Regulatory Compliance Seminars. The Company has also enrolled some of its employees to international institutions that offer programs related to distillation, gin or alcohol-making, raw material, and packaging; and

- **Leadership and Management Programs** - Leadership Emergence Appreciation Program Module 1 and Module 2, Corporate Governance, Employee Discipline and Administrative Investigation, Adapting Leadership Style and Skills to a Multi-generational Workforce, Hiring the Right Talent, and Growing in Coaching are among the programs for supervisors and managers that were done in 2023.

The Company also encourages employees to develop work-life integration by providing year-round programs. One of these programs is the celebration of the Company Anniversary where employees get to gather, mingle, and have fun. This event also honors employees who have been in the service for a substantial number of years, with the intent of making them feel valued and appreciated. The Company not only focuses on work-related activities but also takes time and effort to celebrate important occasions – Birthday, Valentine's Day, Mother's Day, Father's Day, and Christmas, ensuring that employees feel special and important. 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 wellbeing of employees is maintained or improved through proper diet, exercise, and stress management.

The Company also encourages its employees to participate in meaningful activities such as Ginebra Shoe Box of Malasakit, an annual gift giving project, where employees voluntarily donate shoe boxes filled with school supplies, groceries, and personal hygiene items for distribution to residents of chosen communities.

Through this activity, the employees demonstrate their Malasakit to the people of their chosen community

SIGNIFICANT COMPANY POLICIES

Over the years, the Company has adopted policies that are all geared towards promoting the best interest not only of the Company but also of its various stakeholders: stockholders, employees, customers, and regulatory agencies. Some of the significant policies are the following:

Dividend Policy. This policy provides that 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. "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.

Conflict of Interest. The Company implements a policy on Conflict of Interest which espouses the principle that Officers and employees have a duty to act in the best interest of the Company. This policy specifically requires Officers, Managers, and employees to: conduct business affairs with fairness; avoid granting undue personal favors; engage only in private activities or business consistent with responsibilities as officers and employees and not detrimental to the interest of the Company; refuse gifts that might connote bribery in any way; utilize Company property, funds, equipment and time solely for Company purposes, and recognize that all intellectual property and rights so created are owned by the Company; and seek prior Management clearance before engaging in outside work. In the event that any personal interest of an Officer or employee may conflict with the interest of the Company, proper disclosure through the accomplishment of the Full Business

Interest Disclosure Form should be made, and a review by higher Management shall resolve the conflict. This policy was updated in 2023 to enhance compliance with various sustainability reporting standards.

Code of Ethics. The Company adheres to the SMC group-wide Code of Ethics that sets out the fundamental standards of conduct and values consistent with the principles of good governance and business practices that shall guide and define the actions and decisions of the Directors, Management, Officers and employees of the Company. 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 and expects each of its Directors, Officers 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 stockholders, customers, suppliers, government, and the general public.

Securities Dealing. The Company's commitment to the highest standards of values, expertise and professionalism prompted the Company to adopt a Policy on Dealings in Securities. This policy mandates the Directors, Officers and employees of the GSMI Group to exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with this policy, as well as the requirements of the SRC. It sets out the conditions and rules under which the Directors, Officers and employees of the GSMI Group shall deal in securities of the Company. Under this policy, Directors, Officers and certain employees are considered to have access to "insider information", i.e. knowledge or possession of material non-public information about the Company by virtue of their functions and responsibilities. Therefore, such Directors, Officers, and key employees with access to inside information are prohibited from trading in the Company's shares at any time when they have knowledge or possession of material non-public information about the Company, and during a specified time frame, or a "blackout period". The same prohibition applies even if the material non-public information refers to another company, so long as the same was obtained in the course of performing the duties as Directors, Officers or employee of the GSMI Group.

Whistle Blowing. Procedures have been established

for the communication and investigation of concerns regarding the Company's accounting, internal accounting controls, auditing, and financial reporting matters under a SMC group-wide Whistle Blowing Policy. The said policy provides that all complaints be ultimately referred to the Audit and Risk Oversight Committee, which complaints may be on anonymous basis and which shall be placed in confidential files and will be retained for seven (7) years or for such longer time as the said Committee may deem necessary. All communications received through the established channels will be kept confidential. The original copies or records of all communications will be available to any Audit and Risk Oversight Committee member, upon request. The said Committee will determine whether any action or response is necessary or appropriate in respect of a communication, and it will take or direct such action as it deems appropriate. This policy was updated in 2023 to enhance compliance with various sustainability reporting standards.

Data Privacy. The Company values the personal information of individuals and collects, stores, and use the same only in accordance with law. To institutionalize the same, the Board approved a Personal Data Privacy Policy to ensure compliance with the requirements of the Data Privacy Act of 2012 and its Implementing Rules and Regulations. Pursuant thereto, the Company also appointed a Data Protection Officer who is responsible for ensuring the Company's compliance with applicable laws and regulations for the protection of data privacy and security.

Material Related Party Transactions Policy. It is the policy of the Company that all RPTs are conducted on an arm's length basis and under fair terms, in order that no shareholder or stakeholder is unduly disadvantaged and there is no prejudice to the interest of the stakeholders of the Company. The Board shall have the overall responsibility in ensuring that RPTs are handled in a sound and prudent manner, with integrity and in effective compliance with applicable laws, rules and regulations at all times, to protect the interests of the Company and its subsidiaries, and their shareholders and other stakeholders. The objectives of this policy are to mitigate or avoid conflict of interest and abusive transactions between related parties and ensure that every RPT is reviewed, approved, and disclosed

in compliance with the requirements of the relevant governmental and regulatory agencies such as the SEC.

Other Policies. In 2023, the Company likewise adopted several revised SMC-wide people related policies, to wit: Child and Forced Labor Policy, Board Diversity Policy, Code of Conduct and Ethical Business Policy, Anti-Corruption Policy and Sexual Harassment Policy. These policies were revised to incorporate Environmental, Social and Governance Principles aimed to boost SMC group's commitment to conform with various sustainability reporting standards.

Information about the foregoing policies can be found in the official website of the Company.

COMPLIANCE SYSTEM

To ensure adherence to corporate principles and best practices, the Board has appointed a Compliance Officer who is responsible for monitoring compliance by the Company with the provisions and requirements of the CG Manual, relevant laws, issuances and rules and regulations of regulatory agencies. The Company's Compliance Officer is Atty. Virgilio S. Jacinto.

WEBSITE

Other information about the Company may be viewed at <https://www.ginebrasanmiguel.com>.

REPORT OF THE AUDIT AND RISK OVERSIGHT COMMITTEE


For the year ended December 31, 2023


The Audit and Risk Oversight Committee (the “Committee”), was constituted by the Board of Directors (the “Board”), to among others, enhance its oversight capability over the Company’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The Committee specifically performed the following in 2023:


- Recommended to the Board and endorsed for approval by the stockholders, the appointment of R.G. Manabat & Co. (“KPMG”), as the Company’s independent External Auditor for the fiscal year 2023;
- Reviewed and approved the terms of engagement of KPMG for audit-related services provided or to be provided and the fees for such services;
- Reviewed and approved KPMG’s Audit Plan for 2023;
- Reviewed, discussed and recommended for approval of the Board the Company’s Separate and Consolidated Financial Statements for 2023, as well as the Company’s SEC Form 17-Q or Quarterly Financial Statements for 2023 and such other reports required to be submitted to regulatory agencies in connection with such financial statements, to ensure that the information contained in such statements and reports presented a true and balanced assessment of the Company’s financial position and condition and that such statements and reports complied with the regulatory requirements of the Securities and Exchange Commission (the “SEC”) and applicable laws, rules, regulations and issuances of regulatory bodies;
- Reviewed and approved the Company’s Internal Audit and Outsourcing Plan for 2023;
- Reviewed, discussed and recommended for approval of the Board the Material Related Party Transactions of the Company in 2023;
- As and when necessary, performed functions pertaining not only to audit, but also to risk oversight and related party transactions;
- Reviewed the adequacy, effectiveness and sufficiency of the Company’s financial and internal controls and risk management systems, and ensured that, where applicable, necessary measures were taken to address any concern or issue arising therefrom; and
- Accomplished the Committee’s Internal Self-Assessment Form for the purpose of evaluating its performance for 2023.
- Attended a Seminar on Corporate Governance in compliance with the SEC Memorandum Circular No. 19, Series of 2016.

The Committee exerted best efforts in fulfilling its responsibilities as set forth in its Charter and the Company’s Manual on Corporate Governance, and substantially met its mandate in 2023.


Leo S. Alvez
Member


Martin S. Villarama, Jr.
Chairperson
Independent Director


Francisco S. Alejo III
Member


Aurora S. Lagman
Member – Lead Independent Director

STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

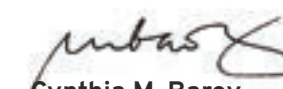
The management of Ginebra San Miguel Inc. (the “Company”) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting 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



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

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th 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)

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



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 Arlene C. Yu.

R.G. MANABAT & CO.

Maria Arlene C. Yu
MARIA ARLENE 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

	<i>Note</i>	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)

	<i>Note</i>	Capital Stock		Additional Paid-in Capital	Equity Reserves			Retained Earnings		Treasury Stock		Total
		Common	Preferred		Reserve for Retirement Plan	Cumulative Translation Adjustments	Inappropriated	Appropriated	Inappropriated	Common	Preferred	
As at January 1, 2023		P345,625	P53,438	P2,539,454	(P415,729)	P -	P3,512,000	P12,077,230	(P1,947,198)	(P1,722,775)	14,442,045	P
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		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	Equity Reserves								Total			
		Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan		Cumulative Translation Adjustments		Retained Earnings		Treasury Stock		
		Common	Preferred		Plan	Retirement	P	-	Appropriated		Inappropriated	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)

	Note	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	11, 12, 14, 20, 21, 22, 23	666,063	677,239	679,606
Retirement expense	24, 29	94,998	98,437	469,921
Interest expense and other financing charges	11, 16, 17, 25, 28, 29	61,041	52,779	48,210
Net provision (reversal) of impairment losses for write-down of inventories to net realizable value	7, 20	30,098	(10,325)	-
Net provision (reversal) of impairment losses on trade and other receivables	6, 22	(292)	10,325	83,126
Loss (gain) on disposal/retirement of noncurrent assets - net	11, 14	(784)	1,040	(5,583)
Gain on lease modification	26	(8,014)	(10,159)	(10,677)
Net derivative loss (gain)	26, 32	(2,000)	241,801	96,759
Net unrealized foreign exchange loss (gain)	26, 31	(33,905)	28,131	(2,659)
Interest income	5, 10	(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	29	(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

	Note	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:

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

Functional and Presentation Currency

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

Basis of Consolidation

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

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

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

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

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:

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

The remaining useful lives, residual values, and depreciation 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:

	Note	2023	2022
Cash in banks and on hand		P787,855	P1,945,277
Short-term investments		9,093,163	3,512,000
	31, 32	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:

	<i>Note</i>	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:

	<i>Note</i>	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:

	<i>Note</i>	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:

		Land and Land Note 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

GSML 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 GSML, 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:

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

	<i>Note</i>	2023	2022
Balance at beginning of year		P165,430	P330,847
Changes from Financing Cash Flows			
Capitalized borrowing cost	<i>11</i>	5,243	3,781
Interest expense	<i>25</i>	-	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:

	<i>Note</i>	2023	2022
Balance at beginning of year		P1,236	P2,486
Amortization	<i>25</i>	(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 GSML, GSML 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:

	<i>Note</i>	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:

	<i>Note</i>	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:

	Note	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:

	Note	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:

	Note	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:

	Note	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 bearing	no impairment
	2021	-	-	5	-	-	-
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 bearing	no impairment
	2021	22,851	254,215	13,801	33,148	-	-
Parent Company	2023	150	-	9	-	On demand;	Unsecured;
	2022	150	-	7	-	non-interest bearing	no impairment
	2021	170	-	7	-	-	-
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 bearing	with impairment
	2021	315,450	6,501,815	65,745	1,010,546	-	-
Joint Venture	2023	39,740	-	-	1,934	On demand;	Unsecured;
	2022	-	201,821	-	1,951	interest bearing	with impairment
	2021	-	335,495	-	1,640	-	-
Associate of the Intermediate Parent Company	2023	117,960	-	1,500,040	-	5 to 7 years interest bearing	Unsecured;
	2022	363	-	1,500,006	-	On demand;	Unsecured;
	2021	608	-	83	-	non-interest bearing	no impairment
Others	2023	521	-	1,184	-	On demand;	Unsecured;
	2022	1,714	-	269	-	non-interest bearing	no impairment
	2021	1,624	-	1,522	-	-	-
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:
- o Principal sum of THB250,000 together with interest of 5.50% per annum, which interest shall accrue on March 13, 2014.
 - o Principal sum of THB50,000 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.
 - o Principal sum of THB25,000 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.
 - o Principal sum of THB75,000 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.
 - o 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:

	Note	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:

	Note	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	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%	-	-	-	-

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)
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 (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

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

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

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

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

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

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

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

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

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

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 "Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.", docketed as G.R. No. 210224 on August 5, 2015.

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

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

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

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SHAREHOUSE SERVICES AND ASSISTANCE

The SMC Stock Transfer Service Corporation serves as the Company's stock transfer agent and registrar. For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificate, please write or call:

SMC STOCK TRANSFER SERVICE CORPORATION

2nd Floor, SMC Head Office Complex
40 San Miguel Avenue, Mandaluyong City
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Email: smc_stsc@sanmiguel.com.ph

CUSTOMER CARE

For inquiries, orders and suggestions on our products and services, please write or call:

SAN MIGUEL CUSTOMER CARE CENTER

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